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# SAN FRANCISCO PORT COMMISSION

Kimberly Brandon, Vice President  
Ann Lazarus, Commissioner  
Francis X. Crowley, Commissioner

Monique Moyer, Executive Director      Amy Quesada, Commission Secretary  
Phone: 415-274-0400; Fax: 415-274-0412      Phone: 415-274-0406; Fax: 415-274-0412

## AGENDA

TUESDAY, JANUARY 11, 2011

2:30 P.M. CLOSED SESSION

3:15 P.M. OPEN SESSION

PORT COMMISSION HEARING ROOM, SECOND FLOOR  
FERRY BUILDING, SAN FRANCISCO, CA 94111

PLEASE NOTE THE TIME OF THE MEETING

*The Port Commission Agenda as well as Staff Reports/Explanatory Documents available to the public and provided to the Commission are posted on the Port's Website at [www.sfport.com](http://www.sfport.com). The agenda packet is also available at the Pier 1 Reception Desk.*

*If any materials related to an item on this agenda have been distributed to the Port Commission after distribution of the agenda packet, those materials are available for public inspection at the Port Commission Secretary's office located at Pier 1 during normal office hours.*

1. CALL TO ORDER / ROLL CALL
2. APPROVAL OF MINUTES - December 14, 2010
3. PUBLIC COMMENT ON EXECUTIVE SESSION
4. EXECUTIVE SESSION

A. Vote on whether to hold closed session.

An Executive Session has been calendared to discuss the following matters:

- (1) CONFERENCE WITH LEGAL COUNSEL REGARDING ANTICIPATED OR POTENTIAL LITIGATION MATTERS (Discussion and Action)
  - (a) Discuss anticipated litigation matter pursuant to California Government Code Section 54956.9(c) and San Francisco Administrative Code Section 67.10(d):

As Plaintiff: 1

GOVERNMENT  
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## **5. RECONVENE IN OPEN SESSION**

- A. Possible report on actions taken in closed session pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.
- B. Vote in open session on whether to disclose any or all executive session discussions pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

## **6. ANNOUNCEMENTS**

### **A. Announcement of Prohibition of Sound Producing Devices During the Meeting**

Please be advised that the ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic device.

### **B. Announcement of Time Allotment For Public Comments**

Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

## **7. EXECUTIVE**

- A. Election of Port Commission Officers
- B. Executive Director's Report
  - Literacy for Environmental Justice's EcoCenter Receives National Environmental Award
  - Response to Pier 70 Waterfront Site RFQ
  - San Francisco Architectural Heritage releases a new book *Port City : The History and Transformation of the Port of San Francisco, 1848 - 2010*

## **8. CONSENT**

- A. Request authorization to consent to Assignment and Assumption of contract between the Port and Treadwell & Rollo, Inc. for environmental consulting services at Pier 70 to Langan Engineering and Environmental Services, Inc. (Resolution No. 11-01)





- B. Request approval of resolution for relocation of JC Decaux Public Service Kiosk from the 2800 block of Taylor Street to the southeast corner of Taylor Street and the Embarcadero. (Resolution No. 11-02)
- C. Request authorization to accept and expend \$90,000 in grant funds from the Association of Bay Area Governments Bay Trail Program for the Pier 43 Promenade Bay Trail Project, adjacent to The Embarcadero Roadway, between Powell and Taylor Streets in Fisherman's Wharf. (Resolution No. 11-03)

## **9. FINANCE AND ADMINISTRATION**

- A. Informational update on the Port's 2008 Clean and Safe Neighborhood Parks General Obligation Bond Capital Program.

## **10. REAL ESTATE**

- A. Informational Presentation on the Status of the Port's Holdover and Month-to-Month Lease Portfolio Pursuant to the Month-to-Month Leasing Policy.
- B. Informational Presentation on the Status of the Port's Surface Parking Lots Previously bid as Opportunity A: Seawall Lot 301 commonly known as the Triangle Parking Lot, and SWL 314 operated by Central Parking System under Lease No. L-14795, and Bid Opportunity B: Seawall Lots 322-I, SWL 323, SWL 321, and SWL 324 operated by Priority Parking-CA, LLC under Lease No. L-14747, all located in the Northern Waterfront.

## **11. NEW BUSINESS**

## **12. PUBLIC COMMENT**

Public comment is permitted on any matter within Port jurisdiction and is not limited to agenda items. Public comment on non-agenda items may be raised during New Business/Public Comment. A member of the public has up to three minutes to make pertinent public comments before action is taken on any agenda item and during the new business/public comment period. It is strongly recommended that public comments be submitted in writing so they can be distributed to the Commissioners for their review. Please fill out a speaker card and hand it to the Commission Secretary. If you have any question regarding the agenda, please contact the Commission Secretary at 274-0406.

## **13. ADJOURNMENT**



## **FORWARD CALENDAR (Targeted Commission Meeting, Subject to Change)**

- Informational presentation on the Port's Biennial Operating Budget for Fiscal Years 2011-12 and 2012-13 (February 8, 2011)
- Informational presentation on the Port's Proposed Biennial Capital Budget Funding for Fiscal Years 2011-12 and 2012-13 (February 8, 2011)
- Informational presentation regarding the annual update to the Port's 10-year Capital Plan for Fiscal Years 2012-21 (February 8, 2011)
- Request authorization to advertise for competitive bids for the Roundhouse 2 HVAC Retrofit Project, construction Contract No. 2744 (February 8, 2011)
- Request approval of Port of San Francisco Lease No. L-14887 with Sitting By, doing business as Hi Dive for an Eight Year Restaurant Lease for Premise Located at Pier 28½ (February 8, 2011)
- Accept the Port of San Francisco Second Quarter Contracting Activity Report – Fiscal Year 2010/11 for the October 1, 2010 to December 31, 2010 Reporting Period (February 8, 2011)
- Request approval of nomination of members for the Port Building Code Review Board (February 8, 2011)
- Informational presentation on Response to Pier 70 Waterfront Site Request for Qualifications (February 22, 2011)
- Request approval of the Port's Biennial Operating Budget for Fiscal Years 2011-12 and 2012-13 (February 22, 2011)
- Request approval of the Port's Proposed Biennial Capital Budget Funding for Fiscal Years 2011-12 and 2012-13 (February 22, 2011)
- Request approval of the annual update to the Port's 10-year Capital Plan for Fiscal Years 2012-21 (February 22, 2011)
- Request approval of the Port of San Francisco's Proposed 2010 Retail Leasing Policy (February 22, 2011)
- Request approval of amendment to Sidewalk, Airspace and Curbspace Encroachment Policy (06-48) to remove the Airspace Encroachment portion for those buildings on the south side of Jefferson Street between Powell and Hyde Streets (February 22, 2011)
- Request authorization to retroactively execute a contract modification to Contract No. 2738, the Pier 19 Roofing and Minor Dry Rot Repairs Project, with D.F.P.F. Corporation dba Fine Line Construction to extend the contract substantial completion date (February 22, 2011)
- Request authorization to retroactively execute a contract modification to Contract No. 2736, the Marine Structural Project II, with Cowhey Pacific Drilling, Inc. to extend the Contract substantial completion date (February 22, 2011)
- Informational presentation of the *Street Pole Banner Criteria*, which would govern the design, placement, and fees for the placement of street pole banners within the jurisdiction of the Port of San Francisco (March 8, 2011)
- Request authorization to award Contract No. 2741, Marine Structural Projects III, which includes the Pier 35 Superstructure Repair, Pier 33 Marginal Wharf Substructure Beam Repair, and the Pier 50 Valley Substructure Repair (March 8, 2011)





- Request approval of Lease L-14495 with Hornblower Yachts, Inc., a California Corporation, for a Term of Five Years with One Five-Year Renewal Option, for premises located at Pier 9 consisting of approximately 1,198 square feet of unimproved pier shed, 7,243 square feet of apron space and 24,470 square feet of submerged land (March 8, 2011)
- Request authorization to award Construction Contract No. 2732, Mission Bay Shoreline Protection for Bayfront Park Project (Date to be determined)
- Request approval to accept and expend 2007 Supplemental Federal Port Security Grant Program Funds (Date to be determined)
- Request approval to designate an Authorized Agent to apply for and accept funds from the Robert T. Stafford Disaster Relief and Emergency Assistance Act of 1988 and under the California Disaster Assistance Act (Date to be determined)
- Request approval of the Port's Interim Leasing Policy for Historic Structures (Date to be determined )
- Request approval of a one-year interim license agreement, and approval to seek Board of Supervisor approval of a 66-year lease/easement agreement and a 66-year right to use permit/agreement, between the Port and Peninsula Corridor Joint Powers Board, for use of property located along Seventh Street in the Mission Bay Redevelopment Area to support existing passenger rail uses for public purposes (Date to be determined)
- Request authorization to enter into a Memorandum of Understanding with the San Francisco Municipal Transportation Agency for the Port of San Francisco to relinquish its rights to cargo freight rail service north of Cesar Chavez along Illinois Street (Date to be determined)

**COMMUNICATIONS TO THE PORT COMMISSION FROM DECEMBER 10, 2010 TO JANUARY 6, 2011**

- From John H. Super, regarding parking at the Public Launch Ramp
- From Dennis MacKenzie, regarding America's Cup
- From Port staff, regarding 12-31-10 Host City and Venue Agreement



**JANUARY/FEBRUARY 2011**  
**CALENDAR OF UPCOMING PORT MEETINGS – OPEN TO THE PUBLIC**

DATE	TIME	GROUP	LOCATION
January 11	2:00 p.m.	Closed Session/Port Commission	Port Commission Room
	3:15 p.m.	Open Session	@ Ferry Building
February 8	2:00 p.m.	Closed Session/Port Commission	Port Commission Room
	3:15 p.m.	Open Session	@ Ferry Building
February 22	2:00 p.m.	Closed Session/Port Commission	Port Commission Room
	3:15 p.m.	Open Session	@ Ferry Building

**NOTES:**

The San Francisco Port Commission meets regularly on the second and fourth Tuesday of the month at 3:15 p.m., unless otherwise noticed. The Commission Agenda and staff reports are posted on the Port's Website @ [www.sfport.com](http://www.sfport.com). Contact Amy Quesada at 274-0406. The Port Commission meetings can be viewed online at [http://sanfrancisco.granicus.com/ViewPublisher.php?view\\_id=92](http://sanfrancisco.granicus.com/ViewPublisher.php?view_id=92). The Port Commission meetings are also broadcasted on the 2nd & 4th Thursday of the month at 9 p.m. on Comcast Cable Channel 26 or Astound Cable Channel 78 (formerly RCN Cable).

The Fisherman's Wharf Waterfront Advisory Group (FWWAG) meets regularly on a bi-monthly basis, on the third Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Michael Nerney @ 274-0416 or [michael.nerney@sfport.com](mailto:michael.nerney@sfport.com)

Starting January 21, 2010, the Maritime Commerce Advisory Committee (MCAC) will meet every other month, on the third Thursday of the month, from 11:30 a.m. to 1:00 p.m. @ Pier 1. Contact Jim Maloney @ 274-0519 or [jim.maloney@sfport.com](mailto:jim.maloney@sfport.com)

The Mission Bay Citizens Advisory Committee meets on the 2nd Thursday of the month at 5:00 p.m. at 1700 Owens Street, 2nd Floor. Parking validation is available. Contact Catherine Reilly, San Francisco Redevelopment Agency, at [catherine.reilly@sfgov.org](mailto:catherine.reilly@sfgov.org).

The Northeast Waterfront Advisory Group (NEWAG) meets regularly on a bi-monthly basis on the first Wednesday of the month from 5:00 p.m. to 7:00 p.m. in the Bayside Conference Room @ Pier 1. Contact Jonathan Stern @ 274-0545 or [jonathan.stern@sfport.com](mailto:jonathan.stern@sfport.com)

The Central Waterfront Advisory Group (CWAG) meets monthly on an as-needed basis, generally on the third Wednesday of the month from 5 to 7 p.m. in the Bayside Conference Room at Pier 1. Contact Mark Paez @ 705-8674 or [mark.paez@sfport.com](mailto:mark.paez@sfport.com)

The Rincon Point-South Beach Citizens Advisory Committee meets on a quarterly basis (the FOURTH MONDAY OF JANUARY AND THIRD MONDAYS IN APRIL, JULY, and OCTOBER), starting at 5:00 p.m. at the South Beach Yacht Club (Pier 40 on The Embarcadero). Contact Catherine Reilly, Assistant Project Manager, Redevelopment Agency, @ 749-2516 or [Catherine.Reilly@REDEV/SFGOV@SFGOV](mailto:Catherine.Reilly@REDEV/SFGOV@SFGOV)

The Southern Waterfront Advisory Committee (SWAC) meets every last Wednesday of the month from 6:15 to 8:15 p.m. Location to be determined. Contact David Beaupre @ 274-0539 or [david.beaupre@sfport.com](mailto:david.beaupre@sfport.com)

The Waterfront Design Advisory Committee (WDAC) meets jointly with the Design Review Board of the Bay Conservation and Development Commission on the first Monday of the month at BCDC, 50 California Street, Rm. 2600, at 6:30 p.m. The Committee meets as needed on the fourth Monday of the month at 6:30 p.m. in the Bayside Conf. Rm. @ Pier 1. Contact Dan Hodapp @ 274-0625 or [dan.hodapp@sfport.com](mailto:dan.hodapp@sfport.com)





## **FERRY BUILDING:**

The Port Commission Hearing Room is located on the second floor of the Ferry Building. The main public entrance is from the west (Embarcadero) side and is served by a bank of elevators adjacent to the historic staircase. Accessible public restrooms are on the first floor at the northeast end of the building as well as on the second floor across the lobby from the Port Commission Hearing Room. The main path of travel to the Port Commission Hearing Room is equipped with remote infrared signage (Talking Signs). The Port Commission Hearing Room is wheelchair accessible. Accessible seating for persons with disabilities (including those using wheelchairs) is available. The closest accessible BART and MUNI Metro station is Embarcadero located at Market & Spear Streets. Accessible MUNI lines serving the Ferry Building area are the F-Line, 9, 31, 32 and 71. For more information about MUNI accessible services, call (415) 923-6142. The nearest accessible parking is provided in the following off-street pay lots:

- A) 3 spaces in the surface lot on the west side of the Embarcadero at Washington St.
- B) Hourly and valet parking in the Pier 3 lot. This lot is accessed through the Pier 3 bulkhead building entrance on the east side of the Embarcadero. This lot is located on the pier deck; adjacent to the ferry boat Santa Rosa.

Additional covered accessible off-street pay parking is available in the Golden Gateway Garage, which is bounded by Washington, Clay, Drumm and Battery Streets. Entrance is on Clay St. between Battery and Front Streets. There is no high-top van parking. Metered street parking is available on the Embarcadero, Washington, Folsom & Drumm Streets.

## **PIER 1:**

The Port's fully accessible offices are in the west end of Pier 1. There are two public entrances; the main entrance on the west (Embarcadero), and the Port History walk entrance on the south apron. Each of these entrances is provided with an automatically operated door. Both entrances lead to the Bayside conference rooms. Accessible public restrooms, drinking fountains, payphone and TTY are on the first floor near the main entrance. The public spaces of the Port's offices are equipped with remote infrared signage (Talking Signs) identifying all primary entrances, paths of travel, meeting rooms and amenities. Accessible seating areas and assistive listening devices will be available in the Bayside Conference rooms.



**Accessible meeting information policy:**

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

A sign language interpreter and alternative format copies of meeting agendas and other materials can be provided upon request made at least 72 hours in advance of any scheduled meeting. Contact Wendy Proctor, Port's ADA Coordinator, at 274-0592, the Port's TTY number is (415) 274-0587.

**Know Your Rights Under the Sunshine Ordinance:**

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Frank Darby by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102-4689; by phone at (415) 554-7724; by fax at (415) 554-7854 or by email at [sotf@sfgov.org](mailto:sotf@sfgov.org). Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Mr. Darby or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at <http://www.sfgov.org/sunshine>.

**NOTICES****Prohibition of Ringing of Sound Producing Devices:**

The ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic device.

**Lobbyist Registration and Reporting Requirements:**

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code Sections §2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: [www.sfgov.org/ethics](http://www.sfgov.org/ethics).







## MEMORANDUM

January 6, 2011

**TO:** MEMBERS, PORT COMMISSION  
Hon. Kimberly Brandon, Vice President  
Hon. Francis X. Crowley  
Hon. Ann Lazarus

**FROM:** Monique Moyer *M Moyer*  
Executive Director

**SUBJECT:** Request authorization to consent to Assignment and Assumption of contract between the Port and Treadwell & Rollo, Inc. for environmental consulting services at Pier 70 to Langan Engineering and Environmental Services, Inc.

**DIRECTOR'S RECOMMENDATION:** Approve Attached Resolution

---

### INTRODUCTION

The purpose of this staff report and accompanying resolution is to request the Port Commission's approval to assign the Port's existing contract with Treadwell and Rollo, Inc. (Treadwell) to Langan Engineering and Environmental Services, Inc. (Langan) who, under the terms of the proposed Assignment and Assumption Agreement, will assume all the obligations under the original contract. Langan acquired Treadwell, effective November 1, 2010. The Port's consent to assignment of the Treadwell contract to Langan is required under the terms of the existing contract, and will enable continuity of services on the Pier 70 Brownfield Site Investigation project.

### BACKGROUND

In 2007, the Port and Mayor Gavin Newsom's Office worked with federal legislators to request funding from the Department of Defense for environmental investigation and clean-up at Pier 70. The Department of Defense awarded the Port a total of \$2.28 million for this purpose, and which has been administered by the United States Department of Commerce, Economic Development Administration (EDA).

**THIS PRINT COVERS CALENDAR ITEM NO. 8A**



At its March 18, 2009 meeting, the Port Commission authorized the Port Executive Director to enter into an Agreement with Treadwell & Rollo Inc. for Professional Services in the amount of \$1,249,802 to execute the following work:

1. Develop Site Conceptual Model and Site Investigation Work Plan
2. Execute Field Activities for Site Investigation
3. Complete Human Health and Ecological Risk Assessment and Report
4. Evaluate Feasibility of Remedial Alternatives
5. Develop Risk Management Plan
6. Project Management and Meetings

At its August 10, 2010 meeting, the Port Commission authorized the Executive Director to amend the above described contract to add scope and fees totaling \$82,470. That amendment was necessary to follow up on findings from the initial investigation, such as evaluating tidal influence on potential for contaminant transport into the bay and pursuing indications of possible underground storage tank locations found during investigation. The contract amendment also enabled coordination with Pacific Gas & Electric, which was concurrently investigating contaminants at the adjacent Potrero Power Plant site and Pier 70, along with supporting an additional public meeting.

In October 2010, Treadwell notified the Port of the planned acquisition of its company by Langan with an effective date of November 1, 2010 (See Exhibit 1: Acquisition Notice). EDA, as the administrative agency for the grant funds for the contract, approved the proposed assignment of the Treadwell contract to Langan on December 3, 2010.

## **DISCUSSION**

The existing contract with Treadwell for the Pier 70 Brownfield Site Investigation has a three year term of April 24, 2009 through March 31, 2012. The following work has been completed to date for fees totaling \$1,142,930 or 86% of the total contract value.

1. Develop Site Conceptual Model and Site Investigation Work Plan;
2. Execute Field Activities for Site Investigation;
3. Complete Human Health and Ecological Risk Assessment and Report; and
4. Project Management and Meetings

The following tasks remain to be completed under the contract subject to this assignment for fees totaling \$189,342.

1. Evaluate Feasibility of Remedial Alternatives
2. Develop Risk Management Plan
3. Ongoing Project Management and Meetings

Although Langan has acquired Treadwell and, under the proposed assignment of contract, will assume all existing contract obligations of Treadwell, there will be no changes in the principal personnel for the project. The key Treadwell staff on the Pier 70 project team are Dorinda Shipman, a Principal of the firm (now a Vice President at



Langan) and Dustyne Sutherland, Project Scientist. They have performed well for the work completed to date, and brought a wealth of experience and insight to the project approach and execution. Both will continue in their current roles on the project team, as will all other Treadwell staff assigned to the project. There will be no change in subcontractors or their roles in the project. Port staff is satisfied with Treadwell staff performance, quality of work products, and adherence to project budget and schedule, and are confident that those qualities will remain unchanged by the acquisition.

Port staff requested written documentation to affirm Langan's commitment and ability to perform all of the contractual obligations written into the original contract with TREADWELL and contract amendment. Port staff also utilized the services of Dunn & Bradstreet for company background and financial history. As stated in a letter dated December 9, 2010 from Langan's corporate secretary, (Attached as Exhibit 2), "On November 1, 2010, Langan purchased the assets of Treadwell to combine the two firm's resources to better serve clients and expand opportunities." Langan's plans call for an interim period whereby Treadwell & Rollo will maintain its name, but will be branded as "A Langan Company." In 2012, the firm will become known as Langan Engineering & Environmental Services. The financial terms of Langan's acquisition of Treadwell have not been disclosed.

#### Langan Engineering and Environmental Services Inc.

According to the Dunn & Bradstreet report, Langan was started in 1970 as a partnership between Bernard Langan, George Derrick, Dennis Leary and George Kelly who are now officers of the corporation. The firm was incorporated in the state of New Jersey on September 9, 1971. The company headquarters are in Elmwood, New Jersey. Although its primary line of business is engineering consulting, Langan also has related interests as operator of nonresidential buildings and operates as a real estate holding company.

Langan's website states that the firm employs more than 500 professionals and has regional offices in New York City; Philadelphia, Pittsburgh, Bethlehem, and Doylestown, Pa; New Haven, CT; Trenton, NJ; Arlington, VA; Miami, FL; Las Vegas, NV; and Irvine, Ca. Langan International, the firm's wholly-owned subsidiary based in New York, provides all technical disciplines from offices in Abu Dhabi, Dubai, and Athens. Firm services include site/civil, geotechnical, and environmental engineering, as well as landscape architecture and planning, remedial design, survey/mapping, BIM-compatible 3D Laser Scanning, traffic/transportation, CADD/GIS, groundwater modeling, natural and cultural resources/permitting, and sustainable design consulting.

#### Assignment and Assumption Agreement

The existing contract with Treadwell prohibits assignment of the agreement to any third party without prior approval of the Port. As the original contract award was subject to approval of the Port Commission, the assignment of the contract to a new party also requires Port Commission approval. Upon execution of the proposed Assignment and Assumption Agreement, by Treadwell, Langan, and the Port, Langan will become obligated to perform all of the obligations under the existing contract.





If authorized by the Port Commission, the proposed Assignment and Assumption Agreement will document the assignment of the contract to Langan, who will replace Treadwell as the contracting party. Pending Port Commission approval, the Assignment and Assumption Agreement would be executed by Treadwell as the assignor, Langan as assignee, and the Port. Assignment of the Treadwell contract to Langan will not change the scope of work, contract fees, assigned staff, schedule, or any other terms and conditions of the Port's contract with Treadwell. Port staff proposes to execute an Assignment and Assumption Agreement in a form as approved by the City Attorney's office.

#### Funding/Budget

Assignment of the Treadwell contract to Langan will not result in any additional costs to the Port.

#### Schedule

Assignment of the Treadwell contract to Langan will enable the work will be completed within the current schedule.

### **RECOMMENDATION**

Since Langan has committed to assume all terms, conditions, scope of services, and fees for the existing Pier 70 Brownfield Site Investigation contract, the principal personnel will remain the same, and EDA, as the grant agency, has approved the proposed assignment, Port staff recommends that the Port Commission approve the assignment of the contract to Langan, and authorize the Executive Director to execute the Assignment and Assumption Agreement as proposed by staff in accordance with the attached resolution.

Prepared by: Norma Nelson, Contract Administrator  
Finance & Administration Division

Carol Bach, Environmental & Regulatory Affairs Manager  
Planning & Development Division

For: Elaine Forbes, Deputy Director  
Finance & Administration Division

Byron Rhett, Deputy Director  
Planning & Development Division

### **EXHIBITS**

Exhibit 1: Acquisition Notice

Exhibit 2: Langan's December 9, 2010 Letter



**PORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 11-01**

- WHEREAS, On March 24, 2009, through Resolution No. 09-19, the Port Commission authorized the Port Executive Director to award a contract to Treadwell & Rollo, Inc. for Pier 70 Brownfield Site Investigation; and
- WHEREAS, On August 29, 2010, the Port Commission through Resolution No. 10-58 authorized an amendment to the contract with Treadwell & Rollo Inc.; and
- WHEREAS, the Port's contract with Treadwell & Rollo, Inc. prohibits assignment of the contract to any third party without prior approval of the Port; and
- WHEREAS, Treadwell & Rollo has notified Port staff that Treadwell & Rollo's firm and assets were being acquired by Langan Engineering and Environmental Services, Inc. with an effective acquisition date of November 1, 2010; and
- WHEREAS: The funding agency for this contract, the United States Department of Commerce, Economic Development Administration, has authorized the assignment of this contract from Treadwell & Rollo, Inc. to Langan Engineering and Environmental Services, Inc.; and
- WHEREAS, Langan Engineering and Environmental Services, Inc. has committed to retain all key personnel as included in the original Treadwell & Rollo contract for these services to be assumed; and
- WHEREAS, Langan Engineering and Environmental Services, Inc. has committed to comply with all terms and conditions, scope of services, fees contained in the Port's contract with Treadwell & Rollo Inc.; now, therefore be it
- RESOLVED, That the San Francisco Port Commission hereby authorizes the Port Executive Director to execute an Assignment and Assumption Agreement with Treadwell & Rollo, Inc. and Langan Engineering and Environmental Services, Inc. whereby Langan Engineering and Environmental Services, Inc. shall assume the obligations and services under the existing contract for Pier 70 Brownfield Site Investigation; and, be it further
- RESOLVED, That Port Commission authorizes the Executive Director to execute an Assignment and Assumption Agreement in a form as approved by the City Attorney's office.

***I hereby certify the foregoing resolution was adopted by the Port Commission at its meeting of January 11, 2011.***

\_\_\_\_\_  
Secretary



30 September 2010

Port of San Francisco  
Pier 1  
San Francisco, CA 94111

**RE: Treadwell & Rollo, Inc.**

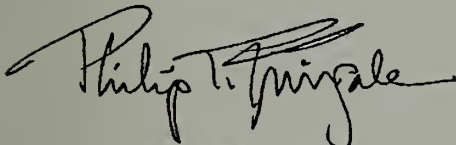
Attention: Carol Bach

We are excited to advise you that all of the professionals and business operations of Treadwell & Rollo are planned to be acquired by Langan Engineering & Environmental Services Inc., a premier national firm. ([www.langan.com](http://www.langan.com)) Langan is recognized as a world class company. Most importantly, Langan's culture and values are compatible with those of Treadwell & Rollo which our clients have come to respect over our long history. There will be a change in insurer effective November 1, 2010, with respect to our contract with you. I am enclosing a Consent to the Assignment of our contract to Langan. The Treadwell & Rollo team on your project will continue to serve you from the same locations and phone numbers, with the same quality service as in the past. We will now be backed by additional resources that we can provide to help your business continue to succeed.

This transaction has not been publicly announced so it is important to us that you please keep this information confidential until November 1st.

Please acknowledge your consent to the assignment of your service contract by signing the enclosed form and returning it in the self-addressed stamped envelope as soon as possible. We appreciate your attention to this matter and we look forward to our continued relationship on many future projects.

Very truly yours,  
TREADWELL & ROLLO, INC.



Philip T. Tringale, Ph.D, P.E.  
President  
[ptringale@treadwellrollo.com](mailto:ptringale@treadwellrollo.com)

Attachments: Consent to Assignment and Assumption of Contract

RECEIVED  
NOV 30 2010  
PORT OF SAN FRANCISCO





**Consent to Assignment and Assumption of Contract**

The undersigned acknowledges and consents to the assignment by Treadwell & Rollo, Inc. of all of its duties under the referenced contract upon transaction closing scheduled for November 1, 2010, and the assumption of such duties by Langan Engineering and Environmental Services, Inc. and/or Langan Guaranteed Remediation, LLC.

**Company:** \_\_\_\_\_

**By:** \_\_\_\_\_

**Its:** \_\_\_\_\_

**Dated:** \_\_\_\_\_

Referenced Contract:

**4963.01 Pier 70 Brownfields Site Investigation**



9 December 2010

Norma Nelson  
Port of San Francisco  
Pier 1  
San Francisco, CA 94111

**Re: Treadwell & Rollo, Inc. Contract Assignment  
Pier 70 Environmental Investigation  
Port of San Francisco, California**

Dear Ms. Nelson:

The purpose of this letter is to address issues raised in your December 2, 2010 email to Susan Penn of Treadwell & Rollo, Inc. (T&R) concerning assignment of T&R's contract with the Port of San Francisco for environmental investigation work at Pier 70 to Langan Engineering & Environmental Services, Inc. (Langan). Langan provides geotechnical engineering, site development engineering and environmental consulting services for private developers, public agencies, property owners, and institutional clients around the world. Founded in 1970, Langan employs nearly 600 professionals in its Elmwood Park, New Jersey headquarters, and among regional offices in California, New York, Pennsylvania, Connecticut, Virginia and Florida. Langan is incorporated in the state of New Jersey.

On November 1, 2010, Langan purchased the assets of T&R to combine the two firm's resources to better serve clients and expand opportunities. As a result of this transaction, Dorinda Shipman and Jeffrey Ludlow are now stockholders and Senior Associates/Vice Presidents of Langan, and have the authority to contractually bind Langan for professional services, and allocate Langan resources to meet project and client objectives. For the Pier 70 project, the T&R team (including sub-contractors), scope, fees and terms and conditions will not change as a result of this transaction. Through 2011, T&R will be known as Treadwell & Rollo, A Langan Company. In 2012, we will be known as Langan Engineering & Environmental Services. Since November 1<sup>st</sup>, work by T&R has been covered by Langan's general, professional and pollution liability insurance policies.

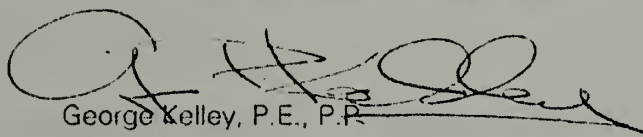
Langan has a City and County of San Francisco Business License (attached) and vendor identification number 83696. Additionally, Langan is compliant with San Francisco Human Rights Commission Chapter 12B Equal Benefits requirements (see attached email).



We trust this letter addresses the issues raised in your December 2<sup>nd</sup> email. Please call Dorinda Shipman at 415-955-5200 if you have any questions or comments.

Sincerely yours,

**LANGAN ENGINEERING & ENVIRONMENTAL SERVICES**



George Kelley, P.E., P.R.  
Senior Principal / Chairman of the Board

Attachments: Langan San Francisco Business License  
HRC 12B Compliance Email





CITY AND COUNTY OF SAN FRANCISCO OFFICE OF THE TREASURER &amp; TAX COLLECTOR

RENEW THIS CERTIFICATE BY

THIS CERTIFICATE EXPIRES ON

**BUSINESS REGISTRATION CERTIFICATE FY 2010-11**

02-28-2011

05-02-2011

CERTIFICATE NO	LOC	CLASS	CLASSIFICATION DESCRIPTION
153862	031	15	ARCHITECTS AND ENGINEERS
BUSINESS NAME			BUSINESS LOCATION
LANCANT ENGINEERING SERVICE INC			555 MONTGOMERY ST 1300

TAXPAYER'S SIGNATURE

OWNERSHIP

LANCANT ENGINEERING SERVICE INC

DATE ISSUED:

11-05-2010

DBA

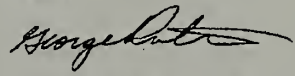
LANCANT ENGINEERING SERVICE INC

MAILING  
ADDRESS

RIVER OF CENTER 1

CITY STATE

ELMWOOD PARK NJ 07407

**GEORGE W. PUTRIS**  
TAX ADMINISTRATOR**MUST BE POSTED CONSPICUOUSLY AT THE BUSINESS LOCATION**

READ REVERSE SIDE. NOTIFY THE TAX COLLECTOR IN WRITING OF ANY CHANGE IN OWNERSHIP OR ADDRESS - P O. BOX 7425, SAN FRANCISCO, 94120 - 7425



## Jeffrey Ludlow

---

**From:** Jeffrey Ludlow  
**Sent:** Thursday, December 09, 2010 9:42 AM  
**To:** Jeffrey Ludlow  
**Subject:** FW: Langan Engineering & Environmental Services - Equal benefits

**From:** MaryGin.Starkweather@SFGOV.ORG [mailto:MaryGin.Starkweather@SFGOV.ORG]

**Sent:** Thursday, December 02, 2010 6:38 PM

**To:** Elizabeth Dougherty

**Cc:** Ramin Golesorkhi; Lim, Michelle; Kyaun, Florence; Asenloo, Romulus; Alaric Degrafinried; Winchester, Tamra; Willis, Thomas; Gordon.Choy@sfdpw.org; Lesley Grady; Beverly Williams

**Subject:** RE: Langan Engineering & Environmental Services - Equal benefits

Hello Elizabeth,

Congratulations! Langan Engineering & Environmental Services is compliant with Chapter 12B Equal Benefits requirements.

It has been a pleasure to work with you.

Take care,

Mary Gin

Mary Gin Starkweather  
Contract Compliance Officer  
San Francisco Human Rights Commission  
25 Van Ness Avenue #800  
San Francisco, CA 94102  
(415) 252-2527  
Fax - (415) 431-5764  
[www.sfgov.org/sfhumanrights](http://www.sfgov.org/sfhumanrights)






## MEMORANDUM

January 6, 2011

**TO:** MEMBERS, PORT COMMISSION  
Hon. Hon. Kimberly Brandon, Vice President  
Hon. Francis X. Crowley  
Hon. Ann Lazarus

**FROM:** Monique Moyer   
Executive Director

**SUBJECT:** Request approval of resolution for relocation of JC Decaux Public Service Kiosk from 2800 block of Taylor Street to the southeast corner of Taylor Street and the Embarcadero.

**DIRECTOR'S RECOMMENDATION:** Approve the Attached Resolution

---

### BACKGROUND

In April 1994, the Port Commission authorized the Executive Director to enter into a contract with the City and County of San Francisco and the JC Decaux San Francisco Inc. (JC Decaux) for the installation and maintenance of self-cleaning public toilets and public service and advertising kiosks (Kiosks) on Port Property. As a condition in this contract, the Port Commission must review and approve locations of new or relocated public toilets and Kiosks within its jurisdiction. This contract was amended in 1998, with the same location and relocation provisions. Per this contract, JC Decaux maintains the self-cleaning public toilets and public service kiosks, and the Port receives a percentage of the advertising revenue generated by the public toilets and kiosks.

Port staff has determined that it must relocate one of the Kiosks installed on Taylor Street (the "Taylor Street Kiosk") between the Embarcadero and Jefferson Street in Fisherman's Wharf to accommodate the Taylor Street Improvement project. The Port is proposing to relocate the Taylor Street Kiosk approximately 100 feet north to the southeast corner of the Taylor Street and The Embarcadero intersection. Under the contract, the City does not guarantee specific locations or sites for the improvements for the duration of the contract term, and can request relocations for any reason. The proposed relocation site for the Taylor Street Kiosk is consistent with the Placement Guidelines for Public Service Kiosks also referenced in the contract.

This Print Covers Calendar Item No. 8B





## **REQUEST**

Port staff is advancing for Port Commission consideration the relocation of the Taylor Street Kiosk from its current location to a location on the southeast corner of Taylor Street at the Embarcadero, approximately 100-feet north of its existing location. The attached Exhibit 1 shows the location of the existing Taylor Street Kiosk and its proposed new location.

## **PROPOSED RELOCATION**

The existing JC Decaux Public Service/Advertising Kiosk is a free standing circular kiosk, the exterior of which is divided into three sections, two of which display advertising panels of approximately 50 square feet each and one that displays public service announcements or public art. The Kiosk is 14'-4" tall and 5'-5" in diameter. The proposed relocation site is the location of former maritime artifact; a cement pedestal that supported this artifact remained at the site, and was removed as part of the Taylor Street Improvement project.

The City's Department of Public Works (DPW) has a set of guidelines that must be followed for the placement of JC Decaux street furniture known as the Placement Guidelines referenced as DPW Order No. 163,368 under Appendix G in the contract. With the proposed improvements on Taylor Street, the existing Taylor Street Kiosk location is no longer in compliance with these guidelines, which require that Kiosks be at a minimum five feet from a crosswalk and to not obstruct the path of travel for persons with disabilities. The proposed relocation complies with DPW's Placement Guidelines.

Pursuant to the contract with JC Decaux, JC Decaux shall bear the full costs of removal and relocation of Kiosks, including sidewalk and curb repair if these areas are affected by the removal and relocation, when Kiosks relocation requests are made by the City, and the number of Kiosks to be relocated within a given year does not exceed three. Additionally, the contract provides that, JC Decaux must install all Kiosks, whenever possible, during the hours of minimum pedestrian activity or at such hours as are approved by the City.

Finally, it is in the Port's and City's best interest that the Taylor Street Kiosk be maintained in a high traffic area as the contract provides that the City will partially participate in the revenue stream from the Kiosks at approximately two percent per year and increasing to five percent per year later in the contract. Through a separate contract referred to as the Memorandum of Understanding J.C. Decaux Public Toilet and Public Kiosk Contract signed in 1999 between the Port and DPW, the Port receives revenue from this program based on the total number of JC Decaux public toilets and Kiosks on Port property.

## **NEXT STEPS**

With Port Commission approval of this item, the Port Building Permit and Engineering Divisions will move forward with reviewing and issuing an encroachment permit for the proposed Kiosk relocation site.

Prepared by: Kanya Dorland, Planner, Planning & Development  
For: Byron Rhett, Deputy Director, Planning & Development



**PORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTON NO. 11-02**

- WHEREAS, Charter Sections 4.114 and B3.581 of the Charter of the City and County of San Francisco empower the Port Commission with the power and authority and duty to use, conduct, operate, maintain, manage, regulate and control the Port area(s) of the City and County of San Francisco; and
- WHEREAS, The City and County of San Francisco acting by and through its Department of Public Works (DPW) and its Port Commission, and JC Decaux San Francisco Inc. (JC Decaux) entered into a contract in April 1994 to allow JC Decaux to install self-cleaning public toilets and public service kiosks on Port Property; and the contact was amended in 1998, and approved under Port Commission Resolution No. 98-105; and
- WHEREAS, the contract provides that JC Decaux will install public toilets and public service kiosks, and maintain a certain ratio of each per the agreement on Port property; and
- WHEREAS, the contract requires Port Commission approval of all locations and relocations of the JC Decaux public toilets and public service kiosks on Port property; and
- WHEREAS, the contract does not guarantee any specific locations or sites for the public toilets or kiosks during the contract term, and under the contract the City has the right to request a relocation to accommodate private development, public works projects, public convenience or for any other reason; and
- WHEREAS, the Port has determined that the JC Decaux Kiosk located on the 2800 block of Taylor Street (the "Taylor Street Kiosk") must be relocated and has proposed a new location for this Kiosk on the southeast corner of Taylor Street and The Embarcadero, as described in the staff memorandum accompanying this Resolution; and
- WHEREAS, the proposed relocation site for this Taylor Street Kiosk on the southeast corner of Taylor Street and The Embarcadero (as shown in Exhibit 1) meets with the placement guidelines for kiosks on public property referenced in the contract as Department of Public Works Order No. 163,368 under Appendix G; and
- WHEREAS, the proposed relocation site for the Taylor Street Kiosk is agreeable to JC Decaux San Francisco Inc., who has agreed to pay for all relocation costs including the Port encroachment permit fee per the contract; now, therefore be it



RESOLVED, that the San Francisco Port Commission hereby approves the relocation of the JC Decaux San Francisco Inc. Kiosk located on the 2800 block of Taylor Street to the southeast corner of Taylor Street and The Embarcadero (as shown in Exhibit 1), approximately 100-feet north of the existing Kiosk location.

***I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of January 11, 2011.***

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Secretary





# JC Decaux Kiosk - Proposed Relocation on Taylor Street

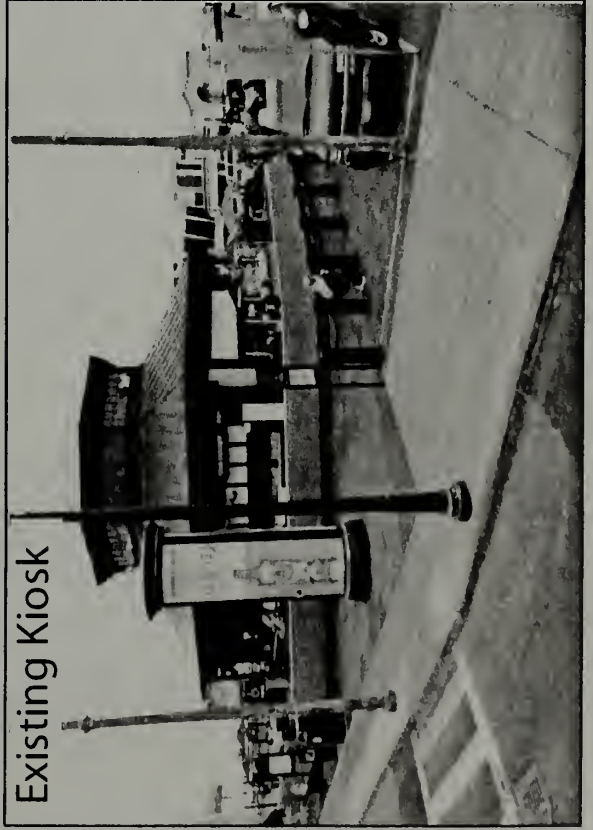
Port of San Francisco - January 2011



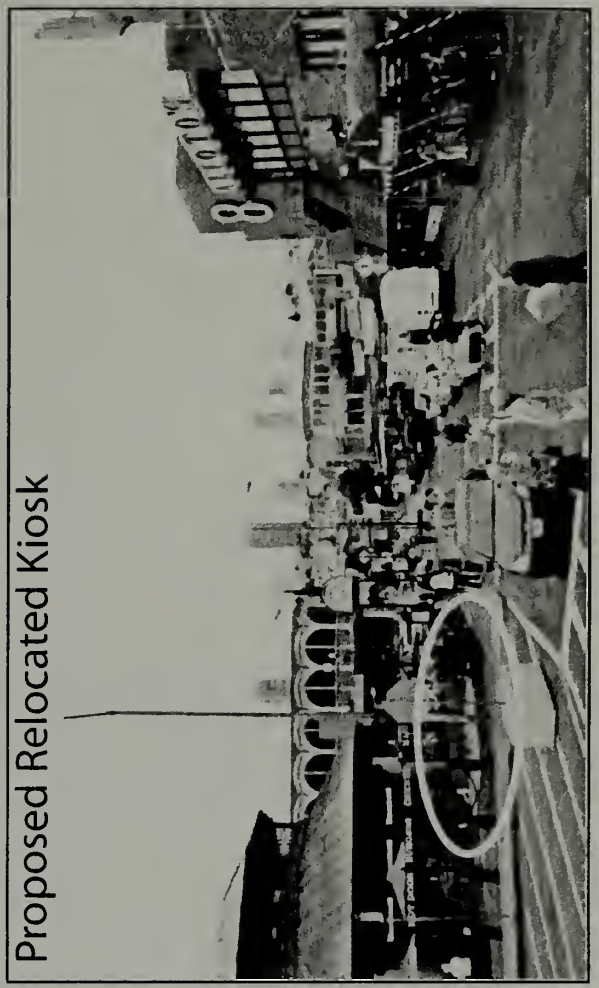
Existing Kiosk at the  
Mid-Block of Taylor Street



Proposed Relocated Kiosk  
at Southeast Corner of  
Taylor Street



Existing Kiosk



Proposed Relocated Kiosk





## MEMORANDUM

January 6, 2011

**TO:** MEMBERS, PORT COMMISSION  
Hon. Kimberly Brandon, Vice President  
Hon. Francis X. Crowley  
Hon. Ann Lazarus

**FROM:** Monique Moyer *MMoyer*  
Executive Director

**SUBJECT:** Request authorization to accept and expend \$90,000 in grant funds from the Association of Bay Area Governments Bay Trail Program for the Pier 43 Promenade Bay Trail Project, adjacent to The Embarcadero Roadway, between Powell and Taylor Streets in Fisherman's Wharf

**DIRECTOR'S RECOMMENDATION:** Adopt Attached Resolution

---

### Project Description

Port staff has applied for and was awarded a \$90,000 grant to assist in funding the Pier 43 Promenade Bay Trail Project (Project), which is a project to extend The Embarcadero Promenade from Powell Street to Taylor Street, 880 feet into the heart of Fisherman's Wharf. The Pier 43 Promenade will serve as a new pedestrian connection between two intensely programmed areas of Fisherman's Wharf, functioning as the Bay edge link between Pier 39 and the historic Taylor Street crab sellers. The new Promenade will feature views of the Bay, the historic Pier 43 Ferry Arch, and Alcatraz, and provide seating for hundreds. The project will remove most of the existing Pier 43½ (which was most recently used for parking), repair or reconstruct about 400 feet of shoreline at the 110-year old seawall, construct a pedestrian promenade over the water, and will include other sidewalk improvements between Mason and Taylor Streets.

### Proposed Funding

The construction cost of the Project is expected to be about \$6.3 million, which is substantially funded (\$5.41 million) by the City's Neighborhood Parks Bond (Proposition A) that was passed by City voters on February 5, 2008. Other construction funding will come from the Port's Capital Fund for Disability Access improvements (\$500,000 to fund sidewalk, crosswalk and pedestrian improvements), and security grant funding

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(\$300,000). Together these funding sources are \$90,000 short of the base bid construction estimate for the Project. In August 2010, Port staff applied for a \$90,000 grant from the Association of Bay Area Governments (ABAG) Bay Trail Grant Program, which is funded through the California Coastal Conservancy with State Proposition 84 funds. On August 12, 2010 the ABAG Bay Trail Board Steering Committee approved the Port's application for funding in the amount of \$90,000, and on December 2, 2010, the State Coastal Conservancy Commission did the same. Upon approval by the Port Commission, funding will be:

Prop A	\$5,410,000
Port Capital Funds	\$ 500,000
Security Grant Funds	\$ 300,000
ABAG Grant	\$ 90,000
<b>TOTAL:</b>	<b>\$6,300,000</b>

### **Environmental Review and Approvals**

The San Francisco Planning Department adopted a Mitigated Negative Declaration on October 30, 2009 for the Pier 43 Promenade Bay Trail Project and three other Proposition A open space projects. The San Francisco Planning Department determined that there is no substantial evidence that the Project could have a significant adverse effect on the environment. A copy of the Mitigated Negative Declaration for this item is on file with the Secretary of the Port Commission.

The Waterfront Design Advisory Committee and the San Francisco Bay Conservation and Development Commission (BCDC) Design Review Board reviewed the project twice in early 2010 and recommended approval, and BCDC granted a permit for the project on December 2, 2010. On December 14, 2010 the Port Commission authorized Port staff to advertise for construction bids, and construction is expected to begin in the spring of 2011. The Pier 43 Promenade is scheduled to be complete and open to the public by the summer of 2012.

### **Port Commission Action**

Through the attached resolution, staff seeks Port Commission authorization for the Port's Executive Director to accept and expend these grant funds. The proposed resolution also authorizes the Executive Director to execute an agreement, subject to approval of the City Risk Manager and City Attorney's Office, for the Port to indemnify and hold ABAG, the Bay Trail Project, and the State harmless against claims, damages and liability, to waive any claims for contribution or indemnity in connection with the grant agreement and to request Board of Supervisors' authorization to accept and expend the funds.





**PORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 11-03**

WHEREAS, the Pier 43 Promenade Bay Trail Project is a 2 block extension of The Embarcadero Promenade and a heavily traveled segment of the "Bay Trail", which is a continuous 400-mile network of trails intended to provide connections to existing park and recreation facilities, create links to existing and proposed transportation facilities, and be planned in such a way as to avoid adverse effects on environmentally sensitive areas; and

WHEREAS, the Project is an identified public access component of the Port's Waterfront Land Use Plan and Waterfront Design & Access Element; and

WHEREAS, the San Francisco Bay Conservation and Development Commission has issued permits for approval of the Project; and

WHEREAS, the San Francisco Bay Trail Project is a program administered by the Association of Bay Area Governments (ABAG), designed to provide funding to accelerate the development of the Bay Trail; and

WHEREAS, the San Francisco Bay Trail Project has found the Pier 43 Promenade Bay Trail Project, a spine of the Bay Trail, eligible for grant funds in the amount of \$90,000 from the Proposition 84 program, which it administers to construct segments of the Bay Trail; and

WHEREAS, to receive the grant funds, the Port is required to enter into an agreement with ABAG to accept and expend the grant funds pursuant to certain terms and conditions including the Port's commitment to indemnify ABAG, the Bay Trail Project, and the State of California from any claims or liabilities arising from the grant agreement; now, therefore be it

RESOLVED, the Port Commission has reviewed the Final Mitigated Negative Declaration, dated October 30, 2009 and, pursuant to Section 15162 of the CEQA Guidelines, finds that there has been no substantial change in the Project that would involve any new significant environmental effects or substantial increase in previously identified environmental effects; no substantial change in circumstances under which the Project is being developed that require revisions to the Final Mitigated Negative Declaration; and no new information of substantial importance that was not previously known and accounted for in the Final Mitigated Negative Declaration regarding significant effects or mitigation measures; and, be it further



RESOLVED, that the Port Commission hereby authorizes the Executive Director to accept and expend \$90,000 in ABAG grant funds pursuant to the San Francisco Bay Trail Program, and to conduct all negotiations, execute and submit all documents, including, but not limited to applications, agreements, amendments, payment requests and other documents, which may be necessary to secure the aforementioned grant funds, including as required by ABAG, an agreement to indemnify ABAG, the State and others for liability associated with the grant funds in such form approved by the City Risk Manager and the City Attorney's Office, and to seek Board of Supervisor's authorization to accept and expend the funds.

***I hereby authorize that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of January 11, 2011.***

---

Secretary





January 6, 2011

**TO:** MEMBERS, PORT COMMISSION  
Hon. Kimberly Brandon, Vice President  
Hon. Francis X. Crowley  
Hon. Ann Lazarus

**FROM:** Monique Moyer   
Executive Director

**SUBJECT:** Informational Update on 2008 Clean and Safe Neighborhood Parks  
General Obligation Bond Program

**DIRECTOR'S RECOMMENDATION:** Informational Item Only: No Action Required

---

**BACKGROUND**

On February 5, 2008, San Francisco's voters approved a \$185 million General Obligation bond measure entitled the 2008 Clean and Safe Neighborhood Parks General Obligation Bond ("GO Bond") of which \$33.5 million is allocated to several waterfront parks on Port property including: Pier 43 Bay Trail Link, Brannan Street Wharf Park, Bayfront Park at Mission Bay, Pier 70 Crane Cove Park, Warm Water Cove Park, Islais Creek Shoreline Parks and Heron's Head Park entrance.

The 2008 GO Bond report recommended specific project allocations including the following:

- |  |              |
|--|--------------|
| • Pier 43 ½ Promenade  | \$ 7,677,800 |
| • Brannan Street Wharf   | 2,941,050    |
| • Blue-Greenway Projects   | 21,645,375   |
| ○ Bayfront Park at Mission Bay                                       |              |
| ○ Pier 70 Crane Cove Park  |              |
| ○ Warm Water Cove Park   |              |
| ○ Islais Creek Shoreline Parks                                       |              |
| ○ Heron's Head Park Entrance   |              |
| ○ Design Standards and Enhancements<br>to all Blue-Greenway Projects |              |
| • CEQA Review and Permitting   | 577,500      |

Total Project Allocations:	32,841,725
Bond Issuance Costs	658,275
<b>Total Allocation to Waterfront Parks Projects</b>	<b>\$33,500,000</b>

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The GO Bond Ordinance (No. 237-07) passed on October 24, 2007 which placed the 2008 GO Bonds on the ballot, requires that the Port Commission approve each project prior to bond expenditures. On July 8, 2008, the Port Commission approved the Port's projects for inclusion in the City and County of San Francisco's first issuance of the 2008 GO Bonds, which took place in August 2008. The Port received in the first issuance \$3,644,438. Those bond proceeds funded all required environmental review for each Port project and certain pre-construction costs for all of the Port's GO Bond projects with the exception of the Brannan Street Wharf project whose environmental review is continuing.

On February 9, 2010, the Port Commission authorized the issuance of the second sale for the 2008 GO Bond projects. The Port received \$10,616,312 for the Pier 43 Bay Trail Link, Blue Greenway and the Bayfront Park shoreline projects. The bond sale occurred in March of 2010. A third issuance anticipated for March 2011 will provide the Port with approximately \$11,580,975 for the construction of the Pier 43 Bay Trail Link and portions of the Brannan Street Wharf and detail design and construction for portions of the Blue Greenway projects. A fourth and final issuance for an estimated \$7,000,000 is anticipated in FY 2011/12 for the final construction phase of the Blue Greenway projects.

This report is a periodic informational update to the Port Commission describing progress delivering capital projects funded by the 2008 GO Bond. Port staff has previously provided informational updates on the 2008 GO Bond at Port Commission meetings held on January 13, 2009, February 10, 2009, September 8, 2009 and February 9, 2010. Additionally, as each project reaches a milestone, the Port Commission is provided an update on the status of the project.

## **PROJECT STATUS**

The following provides a brief review of each project's status. This information is available to the public through many venues as outlined in the Bond Ordinance. The Port provides monthly updates on the Recreation and Park Department's and Port's GO Bond web site (<http://parkbonds.sfgov.org/2008/waterfrontparks-bayaccess.htm>), which reports the progress and status of each project. Each project's monthly report is attached to this staff report in Attachments A - I. Additionally, the Port provides Quarterly Reports to the City's General Bond Oversight Committee (GOBOC).

### **Pier 43 Bay Trail Link**

The Pier 43 Bay Trail Link will restore public access to over 550 linear feet of long neglected waterfront in the heart of Fisherman's Wharf by creating a new public promenade with world class views of the Bay, Alcatraz and the historic rail arch. The project will demolish the majority of Pier 43½, a condemned timber pier most recently used for parking, protect the shoreline by replacing a failing timber seawall between Pier 43 and the Franciscan Restaurant, and construct a promenade along the shoreline and extending over the water's edge.

Environmental review and final design are complete, entitlements are in place, and staff expect to advertise for construction bids in January of 2011. The Port Commission



recently received a project update at the December 14, 2010 Commission Meeting.  
(<http://www.sfport.com/Modules/ShowDocument.aspx?documentid=331>)

#### *Brannan Street Wharf*

The Brannan Street Wharf will be a new 57,000 square-foot public open space located over the Bay, adjacent to The Embarcadero Promenade between Piers 32 and 38. The project will demolish the condemned Pier 36 and bulkhead wharf, constructed in the early 1900's, and construct a new triangular shaped wharf of modern concrete construction supported on driven piling.

Final design is nearly complete and environmental review is expected to be finished in the summer of 2011. This past September, the Port Commission approved and signed an agreement with the US Army Corps of Engineers to carry out the demolition portion of the project, which is now expected to begin in November, 2011. Completion is now scheduled for May of 2013.

(<http://www.sfport.com/Modules/ShowDocument.aspx?documentid=193>)

#### *Blue Greenway Projects:*

The Blue Greenway is a Citywide project to improve and expand the public open space network and Bay and Water Trails along the City's central and southern waterfront, from the China Basin Channel to the San Francisco County Line. At the time of the GO Bond approval, the Blue Greenway was not well defined therefore several potential projects were listed as eligible to receive GO bond funding. As detailed below, the development of the Blue Greenway Planning and Design Guidelines will identify how the GO Bond resources will be allocated. In order to meet GO Bond funding requirements, a few Blue Greenway projects were identified for early implementation, but most projects are awaiting the completion of the community planning process so that the allocation of resources towards each project can be determined. The following is a brief description of each of the Blue Greenway GO Bond projects and their status:

#### *Blue Greenway Planning and Design Guidelines*

The Port is leading the City project to develop the Blue Greenway Planning and Design Guidelines through a community planning process. This document will identify appropriate design standards to be applied to all new Blue Greenway projects and specify appropriate open space programs (uses) for each open space. The document will also specify public art installation locations and types, connection opportunities between the parks, and will identify project costs and prioritization of projects. The Port has hosted a series of public workshops and anticipates completing this project in the spring of 2011. The Port Commission received an update on the status of the Blue Greenway at its August 19, 2010 Commission meeting.

(<http://www.sfport.com/Modules/ShowDocument.aspx?documentid=46>)

#### *Mission Bay Bayfront Park Shoreline*

This project was identified for early implementation and will rebuild the Bay edge south of Pier 54 (currently fenced off) to allow the Mission Bay, Bayfront Park to be constructed to the water's edge, allowing over 1,000 feet of waterfront access. The project is completely designed and was authorized by the Port Commission to be advertised for construction bid on May 11, 2010.





(<http://www.sfport.com/ftp/uploadedfiles/meetings/supporting/2010/Item%208A%20Adv%20Mission%20Bay%20Shoreline%20Protection.pdf>). The project will be out for bid in February following receipt of all required permits. The project is scheduled to be awarded for construction in the spring.

#### *Pier 70 Crane Cove Park*

This project constructs a new major waterfront park adjacent to the Pier 70 shipyard; along Illinois Street, in the Dogpatch/Potrero neighborhoods. Crane Cove Park will be integrated with restoration of incredible maritime historic structures, as envisioned in the Pier 70 Preferred Master Plan. The Port is in the process of releasing an RFP to consultant teams to assist on the project. The scope of this project will depend on the allocation of resources as defined through the Blue Greenway Planning and Design Guidelines planning process. The Port Commission received an update on the status of this project and approved release of the RFP at the December 14, 2010 Commission meeting. (<http://www.sfport.com/Modules/ShowDocument.aspx?documentid=340>)

#### *Warm Water Cove Park*

This project may include expanding the park, improving existing landscaping, adding signage, furnishings, pathways, lighting, and other open space amenities. The scope of this project will depend on the allocation of resources as defined through the Blue Greenway Planning and Design Guidelines planning process.

#### *Islais Creek Open Space Improvements*

This project may consist of shoreline improvements including rebuilding dilapidated wharves, removing ghost piles, and providing for open space system linkages to expand public access and recreational water use of Islais Creek. In addition, an opportunity exists to expand the open space area on the northeast corner of Cargo Way and Third Street directly adjacent to Islais Creek. Improvements may include expanded green space, improved site furnishings, signage and potentially a gateway sculpture or public art piece highlighting the entrance into the community. The existing gateway parcel may be expanded by up to a half an acre. The scope of this project will depend on the allocation of resources as defined through the Blue Greenway Planning and Design Guidelines planning process.

#### *Heron's Head Park Improvements*

This project creates an improved entrance and expanded park area to help visitors locate Heron's Head Park, which is in the India Basin/Bayview Hunters Point neighborhoods. This project was identified for early implementation and has gone through a community planning and design process. This project is in the detail design phase and is anticipated to go out for construction bid in the spring of 2011. The Port Commission approved the concept design for Heron's Head Park at the May 11, 2010 Commission meeting:

(<http://www.sfport.com/ftp/uploadedfiles/meetings/supporting/2010/Item%2010A%20Heron%27s%20Head%20Park%20Concept%20Design%20Approval.pdf>)

#### *Blue Greenway Signage and Identity:*

A component of the Blue Greenway Planning and Design guidelines is to establish a unified signage and identity program along the Blue Greenway. The Port has retained a





# Pier 43 Bay Trail Link – November 2010

**Location:** Embarcadero – Powell to Taylor Streets

**Project Manager:** Steven Reel, [steven.reel@sfpport.com](mailto:steven.reel@sfpport.com)

**Background:** Located along the Bay north of the Pier 43 Arch, this site is currently a sidewalk and parking lot. It was recently condemned by the Port because of its poor condition; the underlying seawall and adjacent sidewalk are in disrepair and close to failing.

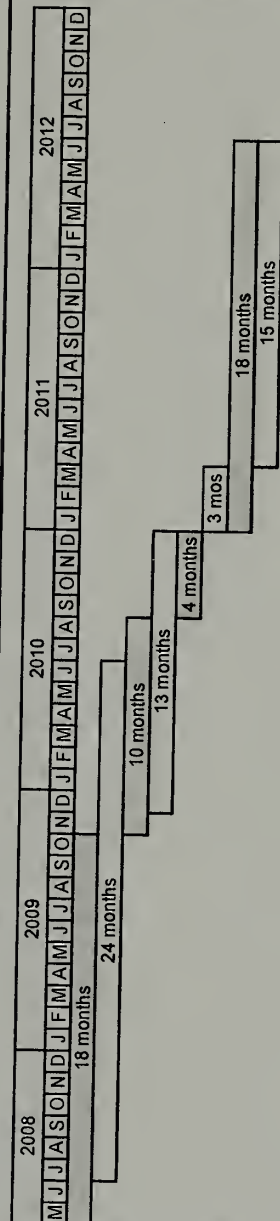
**Project Description:** The proposed project includes: (1) removing the piers and sidewalk back to the seawall, (2) repairing the seawall, (3) protecting the shoreline, and (4) building a new public promenade in the heart of Fisherman's Wharf, which will enhance the quality of the pedestrian experience and provide for an open space destination. The Promenade will feature tables, chairs, landscaping and view s of Alcatraz and the historic rail arch. The Promenade would also close a gap in the San Francisco Bay Trail.

**Remarks:** Final Design, Engineering and Environmental Review are mostly complete. Additional funding of \$1.8 M was secured from Port Capital Funds, bringing total project funding to \$10M. BCDC is scheduled to vote on the project in December. The Port has initiated regular meetings with the community to solicit input on planned construction staging, schedule, and temporary measures. Port Commission approval to advertise for construction bids is planned for December 14, 2010, with construction anticipated to begin in April 2011.

	Initial Project Budget	FAMIS Appropriated Budget	Paid to Date	Encumbered	Balance
Engineering / PM	1,185,185	1,315,875	1,003,028	103,596	209,251
Construction	5,925,926	5,818,334	0	0	5,818,334
Project Contingency	888,889	646,481	0	0	646,481
Estimated Project Cost	8,000,000	7,780,690	1,003,028	103,596	6,674,066

## Pier 43 Promenade

	Baseline	Start	Finish
Design, Environmental Clearance and Entitlements	Actual	May 2008	Oct 2009
Construction Drawings	Baseline	Jul 2008	Jun 2010
	Actual	Nov 2009	Aug 2010
Bld/Award	Baseline	Dec 2009	Dec 2010
	Actual	Sep 2010	Dec 2010
Construction	Baseline	Jan 2011	Mar 2011
	Actual	Apr 2011	Jun 2012





## A black and white photograph of a large, curved, dark structure, possibly a bridge or a large pipe, spanning across the frame. The structure is supported by a metal framework. The background is light and textured, possibly a wall or a large sheet of paper.

100

the US Army Corps of Engineers to execute environmental, and contracting requirements will be reduced. If savings, there is still an expected shortfall of \$1.5 billion in additional funding.

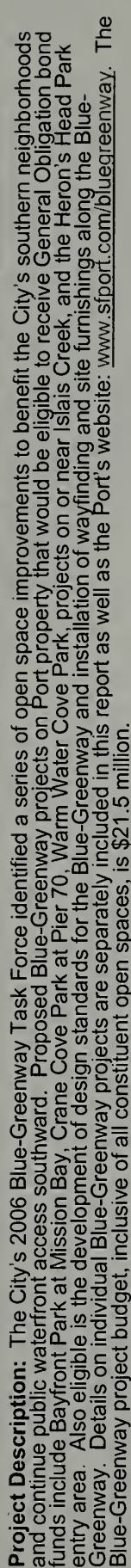
[illegible]





**Location:** The Southern Waterfront, running from Pier 52 to Pier 98

**Project Manager:** David Beaupre, [david.beaupre@sfsport.com](mailto:david.beaupre@sfsport.com)



**Remarks:** Initially, the proposal was to develop design standards for common elements of the entire Blue-Greenway network. However, as the scope was refined, it was determined that it would be difficult to develop design standards without a better understanding of the entire scope of potential projects within the Blue-Greenway. Working with Port Commissioners, Mayor Gavin Newsom's Office, the Board of Supervisors, community members, open space advocates and interested citizens, the planning process was expanded to include the identification of open space opportunities, identification of programming (uses) options, identification of cost and the development of an implementation strategy to improve the Blue Greenway, including project prioritization. On May 26<sup>th</sup>, the Port held a community meeting to review Existing Condition, Opportunities and Constraints and a review of Best Practices. The meeting was attended by over 70 stakeholders. In October and November, the Port will host a second series of community workshops to discuss 1) Park use and program options and 2) concepts for site furnishing palette. In January the Port will host a third series of meetings to focus on 1) concepts for signage program and 2) concepts for improving the Linking Streets. In the fall and winter the concepts will be refined, cost estimates will be prepared and projects will be prioritized for implementation.

	Initial Project Budget	FAMIS Appropriated Budget	Paid to Date	Encumbered	Balance
Community Planning	220,000	220,000	165,022	55,490	-512
Signage, Furnishings Installation	550,000	550,000			550,000
Detail Design	1,763,250	1,763,250			1,763,250
Estimated Project Cost	2,533,250	2,533,250	165,022	55,490	2,312,738

Start	Finish	2008												2009												2010												2011											
Mar 2008	Aug 2009	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D												
Jan 2009	Dec 2010	6 months						27 months																																									
Jul 2010	Dec 2011																											18 months																					
Jul 2010	Dec 2011																											18 months																					





[illegible]

THE

**Jerry Francisco Bortone**

[illegible][illegible]



# Crane Cove Park – November 2010

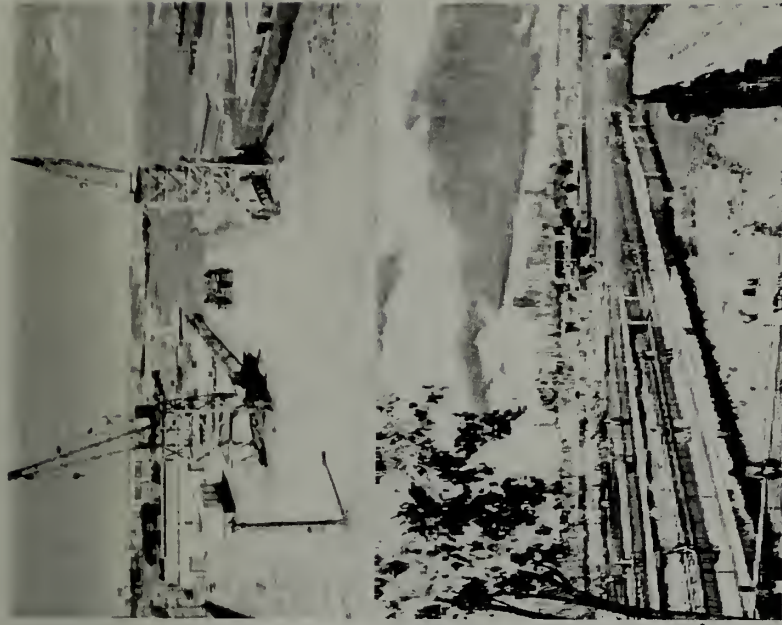
**Location:** Nineteenth and Illinois Street

**Project Manager:** David Beaupre, [david.beaupre@sfpport.com](mailto:david.beaupre@sfpport.com)

**Background:** The City's 2006 Blue-Greenway Task Force identified a series of open space improvements to benefit the City's southern neighborhoods and continue public waterfront access southward. This project is a part of the aforementioned Blue-Greenway community planning process. The community planning process will further define the extent of improvements, funding levels, and schedule for this park, as well as other projects that may be part of the Blue-Greenway.

**Project Description:** This project constructs a new major waterfront park adjacent to the Pier 70 shipyard; along Illinois Street, in the Dogpatch/Potrero neighborhoods. Crane Cove Park would be integrated with restoration of incredible maritime historic structures, as envisioned in the Pier 70 Master Plan currently being prepared.

**Remarks:** A concept of use and program options for Crane Cove Park were developed through the Pier 70 Community planning process and are being furthered as a component of the Blue Greenway Planning and Design process. The design will be further refined once the funding amount is determined for this Blue Greenway Project. The Port is seeking Commission Approval in December to release an Request for Proposals from consultants to imitate a community Planning Process and to develop detail designs for Crane Cove Park. Because of the size complexity of this site imitating the contract process to retain a qualified consultant team must begin prior to final project prioritization as defined in the Blue Greenway Planning and Design Standards process.



	Initial Project Budget	FAMIS Appropriated Budget	Paid to Date	Encumbered	Balance
Engineering / PM	TBD				
Construction	TBD				
Project Contingency	TBD				
Estimated Project Cost	TBD				

	2008			2009			2010			2011			2012			2013		
	J	F	M	A	M	J	J	F	M	A	M	J	J	F	M	A	M	J
Baseline																		
Actual																		
Baseline																		
Actual																		
Baseline																		
Actual																		
Baseline																		
Actual																		

26 months

see "remarks"

12 months

see "remarks"

4 months

see "remarks"

24 months

see "remarks"





# Warm Water Cove – November 2010

**Location:** End of 24<sup>th</sup> Street along the Bay

**Project Manager:** David Beaupre, [david.beaupre@sfpport.com](mailto:david.beaupre@sfpport.com)

**Background:** This project is a part of the Blue-Greenway. The City's 2006 Blue-Greenway Task Force identified a series of open space improvements to benefit the City's southern neighborhoods and continue public waterfront access southward. A community planning process will be conducted to further define the extent of improvements, funding levels, and schedule for these or other projects that may be part of the Blue-Greenway.

**Project Description:** Project scope for Warm Water Cove includes expanding the park, improving existing landscaping, adding signage, furnishings, pathways, lighting, and other open space amenities. The proposed improvements will be developed through a community planning process.

**Remarks:** Concepts for the Warm Water Cove Park is being developed as a component of the Blue Greenway Planning and Design process and will be further refined if selected as a prioritized project for implementation.

	Initial Project Budget	FAMIS Appropriated Budget	Paid to Date	Encumbered	Balance
Engineering / PM	TBD				
Construction	TBD				
Project Contingency	TBD				
Estimated Project Cost	TBD				

Warm Water Cove			2009												2010												2011												
Design, Environmental Clearance and Entitlements	Baseline	Start	Finish	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
	Actual	Jul 2009	Mar 2010																																				
Construction Drawings	Baseline	Apr 2010	Jan 2011																																				
	Actual	Apr 2010	Jan 2011																																				
Bid/Award	Baseline	Feb 2011	May 2011																																				
	Actual	Feb 2011	May 2011																																				
Construction	Baseline	Jun 2011	Nov 2011																																				
	Actual	Jun 2011	Nov 2011																																				

9 months

see "remarks"

10 months

see "remarks"

4 months

see "remarks"

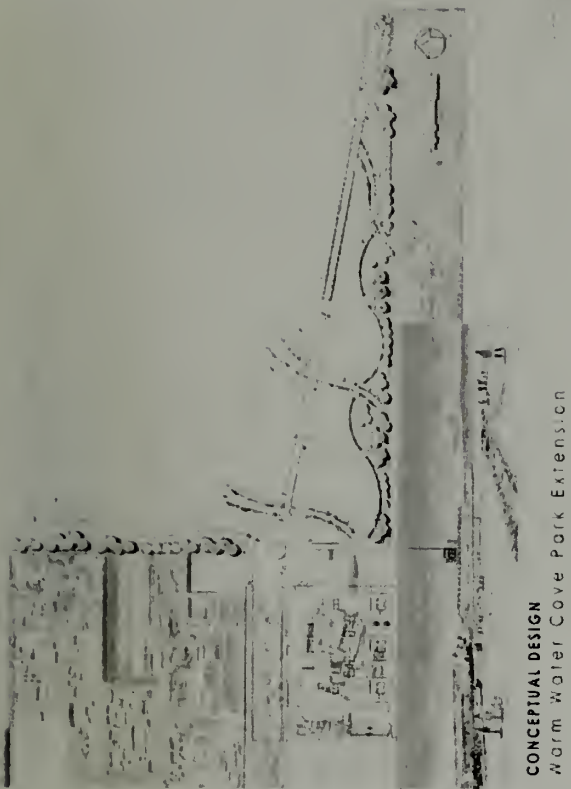
6 months

see "remarks"

10 months  
see "remarks"

4 months  
see "remarks"

6 months  
see "remarks"







# Islais Creek – November 2010

**Location:** San Francisco's Southern Waterfront, between Piers 80 and 90

**Project Manager:** David Beaupre, [david.beaupre@sfpport.com](mailto:david.beaupre@sfpport.com)

**Background:** This project is a part of the Blue-Greenway. The City's 2006 Blue-Greenway Task Force identified a series of open space improvements to benefit the City's southern neighborhoods and continue public waterfront access southward. A community planning process will be conducted to further define the extent of improvements, funding levels, and schedule for these or other projects that may be part of the Blue-Greenway.

**Project Description:** This project may consist of shoreline improvements including rebuilding dilapidated wharves, removing ghost piles, and providing for open space system linkages to expand public access and recreational water use of Islais Creek. In addition, an opportunity exists to expand an existing open space area on the northeast corner of Cargo Way and Third Street directly adjacent to Islais Creek. Improvements may include expanded green space, improved site furnishings, signage and potentially a gateway sculpture or public art piece highlighting the entrance into the community. The existing gateway parcel may be expanded by up to a half an acre.

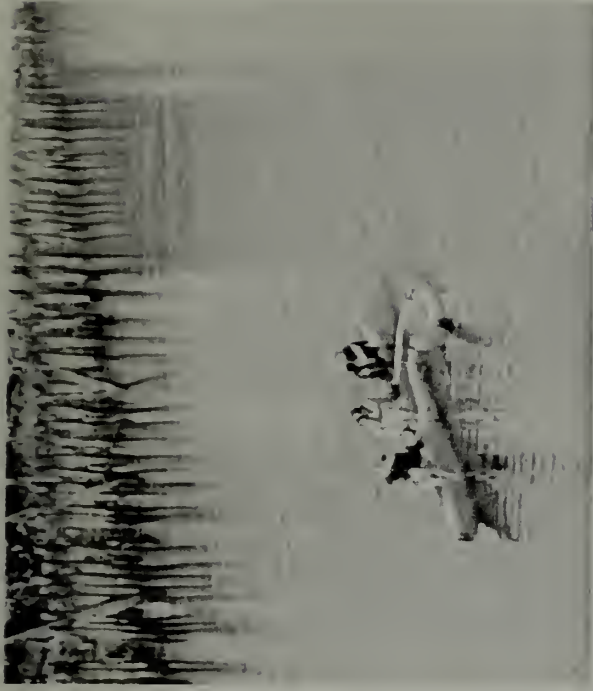
**Remarks:** Concepts for these open spaces are being developed as a component of the Blue Greenway Planning and Design process and will be further refined if selected as a prioritized project for implementation.

	Initial Project Budget	FAMIS Appropriated Budget	Paid to Date	Encumbered	Balance
Engineering / PM	TBD				
Construction	TBD				
Project Contingency	TBD				
Estimated Project Cost	TBD				

## Islais Creek

	Baseline	Start	Finish
Design, Environmental Clearance and Entitlements	Actual	Sep 2008	May 2009
Construction Drawings	Actual	Jun 2009	Mar 2010
Bid/Award	Actual	Apr 2010	Jul 2010
Construction	Actual	Aug 2010	Jan 2012

2008	2009	2010	2011	2012
J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D
<div> <div>9 months</div> <div>see "remarks"</div> </div> <div> <div>10 months</div> <div>see "remarks"</div> </div> <div> <div>4 months</div> <div>see "remarks"</div> </div> <div> <div>18 months</div> <div>see "remarks"</div> </div>				





# Heron's Head Park – November 2010

**Location:** Middle Point Road and Cargo Way

**Project Manager:** David Beaupre, [david.beaupre@sfport.com](mailto:david.beaupre@sfport.com)

**Background:** The City's 2006 Blue-Greenway Task Force identified a series of open space improvements to benefit the City's southern neighborhoods and continue public waterfront access southward. This project is a part of the aforementioned Blue-Greenway community planning process. The community planning process will further define the extent of improvements, funding levels, and schedule for this park, as well as other projects that may be part of the Blue-Greenway.

**Project Description:** This project creates an improved entrance and expanded park area to help visitors locate Heron's Head Park, located in the India Basin/Bayview Hunters Point neighborhoods.

**Remarks:** The Port has completed the design development through a community planning process and is utilizing DPW staff to develop construction drawings and specifications. DPW is developing construction drawings and it is anticipated that construction will be completed in the spring of 2011.

	Initial Project Budget	FAMIS Appropriated Budget	Paid to Date	Encumbered	Balance
Engineering / PM	TBD	550,000	23,599	0	526,401
Construction	TBD	0	0	0	0
Project Contingency	TBD	0	0	0	0
Estimated Project Cost	TBD	550,000	0	0	526,401

## Heron's Head Park

	Baseline	Start	Finish
Design, Environmental Clearance and Entitlements	Actual	Jan 2009	Sep 2009
Construction Drawings	Baseline	Jan 2009	Feb 2010
	Actual	Oct 2009	Jul 2010
Bid/Award	Baseline	Mar 2010	Jul 2010
	Actual	Aug 2010	Nov 2010
Construction	Baseline	Dec 2010	May 2011
	Actual	Dec 2010	May 2011

2008	2009	2010	2011
J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D	J F M A M J J A S O N D
	9 months		
	14 months		
		10 months	
		11 months	
		4 months	
		6 months	
			6 months
			13 months







consultant team to assist in developing the signage program. Final Concepts for the signage program will be completed in the summer of 2011.

## **CONCLUSION**

The Port's 2008 GO Bond funded projects are all underway in various stages of implementation. Staff will continue providing periodic status reports to the Port Commission on the Port's 2008 GO Bond funded projects.

Prepared by: Elaine Forbes, Deputy Director, Finance and Administration  
Steven Reel, Project Manager, Engineering  
David Beaupre, Senior Waterfront Planner, Planning & Development

### **Attachments:**

- A. Pier 43 Bay Trail Link, November 2010 GO Bond Monthly Report
- B. Brannan Street Wharf, November 2010 GO Bond Monthly Report
- C. Blue Greenway, November 2010 GO Bond Monthly Report
- D. Bayfront Park Shoreline , November 2010 GO Bond Monthly Report
- E. Crane Cove Park, November 2010 GO Bond Monthly Report
- F. Warm Water Cove Park, November 2010 GO Bond Monthly Report
- G. Islais Creek , November 2010 GO Bond Monthly Report
- H. Heron's Head Park, November 2010 GO Bond Monthly Report







## MEMORANDUM

January 6, 2011

**TO:** MEMBERS, PORT COMMISSION  
Hon. Kimberly Brandon, Vice President  
Hon. Francis X. Crowley  
Hon. Ann Lazarus

**FROM:** Monique Moyer *M. Moyer*  
Executive Director

**SUBJECT:** Informational Presentation on the Status of the Port's Holdover and Month-to-Month Lease Portfolio Pursuant to the Month-to-Month Leasing Policy

**DIRECTOR'S RECOMMENDATION:** Informational Only; No Action Required

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### INTRODUCTION

On December 10, 2008, the Budget and Finance Committee of the Board of Supervisors convened a hearing on the number, location, effective date of and reasons for leases or permits between third parties and City departments which are month-to-month, with responses from the Department of Recreation and Park, the City's Real Estate Department (RED) and the Port of San Francisco (File 081325).

The Board of Supervisors' inquiry examined two types of Port leases: "holdover leases" which were initially entered for a specified term, but where the term has expired and the leases continue on a month-to-month basis as provided by law, and "month-to-month leases", which the Port initiated on a month-to-month basis with no specified term. The Budget Analyst posed the question of whether the Port's month-to-month leasing practices had the effect of avoiding Board of Supervisors' oversight pursuant to Charter Section 9.118 (providing for Board of Supervisors' approval of all non-maritime leases with a term of ten or more years or anticipated revenue of \$1 million dollars or more).

On January 13, 2009, Port staff gave an informational presentation to the Port Commission (Item 11a Holdover and Month-to-Month Leasing Review) providing an overview of Port leasing practices, describing the steps the Port has undertaken to address a significant backlog of holdover and month-to-month leases, and answering the specific questions about month-to-month leases posed by the Budget Analyst.

**THIS PRINT COVERS CALENDAR ITEM NO. 10A**



On May 26, 2009, Port staff gave the Port Commission a status report of Port holdover and month-to-month property agreements and requested approval of a Month-to-Month Leasing Policy (Item 10a). The Month-to-Month Leasing Policy authorizes Port staff to enter into month-to-month leases with no specified term, under specified conditions, including but not limited to leases for property that is planned for future redevelopment, small storage agreements, for construction laydown purposes, and other circumstances when term agreements are not a preferred approach. The Port Commission approved the policy by adopting Resolution 09-28.

## **MONTH-TO-MONTH LEASING POLICY**

As described in the January 13, 2009 Port Commission staff report, the Port prefers to enter into term leases with terms of three or more years to maintain a stable revenue base. However, this strategy does not fit all lease situations or locations, in which case the Port relies on month-to-month leases as part of its overall real estate strategy.

Port policy is to charge market rent for month-to-month agreements, except for certain license agreements (such as certain geotechnical or environmental investigation of Port property) consistent with the Port Commission's approved Monthly Rental Rate Schedule.

The Port Commission has determined, pursuant to Port Commission Resolution 09-28 as amended by Port Commission Resolution 10-50, that month-to-month agreements are an appropriate real estate strategy under the following conditions:

1. To obtain interim revenue when the Port Commission has directed Port staff to issue a competitive solicitation or enter sole source or exclusive negotiations for leasing or development of a specific Port property or the Port Commission plans a capital project at a facility that will require termination of property agreements and/or relocation of existing tenants, when feasible. Under these circumstances, entering into longer term agreements with new tenants has the potential to frustrate clearing the property in anticipation of the start of construction.
2. For storage agreements, including fish gear storage, not to exceed \$5,000 in total monthly rental income. Due to the transient nature of storage activities and the modest rent obtained from such leasing, term agreements are difficult to market and provide insignificant financial benefits.
3. For parking spaces, except for parking lots. Parking needs change for any given tenant over time and the Port has limited parking resources to allocate to its tenants, so flexibility in the allocation of these spaces is appropriate.
4. For use of public rights of way. The Port has numerous agreements for the use of public rights of way, including utility easements, curb space (bus parking, etc.), berthing space (not connected to a long-term leased premises), and sidewalk encroachment space (e.g., on Jefferson Street). Given the public orientation of this type of space, term agreements are not appropriate for public rights of way.



5. For use of, or access to, Port-owned equipment.
6. To allow structural, geotechnical or environmental investigation of Port property.
7. For other short-term agreements, such as for construction lay-down purposes, where the precise duration of the activity is unknown, but staff finds that a term lease of three or more years is impractical.
8. During periods of adverse commercial real estate market conditions, when some prospective tenants are unwilling to sign term leases, but where the term of such a lease on a month-to-month basis is limited to a maximum of twenty-four (24) months.
9. For other agreements where the Port Executive Director finds a public purpose to enter a month-to-month lease, but where the term of such a lease is limited to a maximum of twenty-four (24) months.

## **HOLDOVER AND MONTH-TO-MONTH LEASE PROJECT**

Since January 2008, in conjunction with RED, the Port has implemented a plan to competitively bid and/or renew leases with existing tenants currently on holdover and month-to-month status ("Project").

Through early June 2010, RED was providing the Port with one Principal Real Property Officer (Classification 4143) on a full-time basis and one Senior Real Property Officer (Classification 4142) on a part-time basis to staff the project. Since then the Principal Real Property Officer retired, however has returned as a Prop. F employee and is currently employed by the Port on a part-time basis as a 9395 – Property Manager.

### Project Staffing

Project Coordinator: Prop. F – Property Manager

Staffing: Port Feasibility Analyst  
Port Regulatory Specialist  
Port Real Estate Staff  
Deputy City Attorneys

As of July 2010, the Project has been coordinated exclusively through the Port Real Estate Division, with the Prop. F Property Manager and Port Project staff reporting to the Deputy Director of Real Estate. The Deputy Director of Real Estate has assigned dedicated Port leasing staff to work with the Prop. F Property Manager to perform holdover lease renewals on an ongoing basis.





## Holdover and Month-to-Month Lease Project Progress Report

Currently, there are 271 agreements on holdover or month-to-month terms, which are in accord with the Port's Month-to-Month Leasing Policy. These leases are classified as follows:

1. Commission Approved Holdover or Month-to-Month Agreements (156)
2. Active Agreements (73)
3. Month-to-Month Agreements (19)
4. Rent Increase Letters Sent (16)
5. Physical Limitations (7)

Since the inception of the Project in early 2008, staff has reviewed well in excess of 300 agreements which has resulted in the following various categories of action taken by staff:

- 65 new, market rate leases with existing tenants have been executed;
- 62 holdover leases were increased to market rate (where the tenant was either non-responsive or not interested in a new term lease);
- 156 agreements were confirmed at current fair market rent and warranted a continued month-to-month term in accordance with the Port's Month-to-Month Leasing Policy;
- 40 tenants were terminated by the Port or chose to terminate their leases with the Port.

The disposition of the aforementioned agreements, either by negotiation of new agreements, implementation of rent increases to market rent or termination of agreements, has resulted in the generation of \$252,510.14 in additional monthly revenue or \$3,030,121.68 annually.

Out of the 73 Active Agreements mentioned above, 30 agreements are currently in active negotiations. With several exceptions involving more complicated transactions still in negotiation, most of the remaining Project agreements represent less revenue potential on a per agreement basis.

## **CONCLUSION**

This report is for informational purposes only and is meant to update the Port Commission regarding staff's progress and ongoing efforts to comply with the Board of Supervisors' requirements regarding holdover and month-to-month leases.

Prepared by: Mark Lozovoy, Assistant Deputy Director, Real Estate  
Jerry Romani, Property Manager  
For: Susan Reynolds, Deputy Director, Real Estate





## MEMORANDUM

January 6, 2011

**TO:** MEMBERS, PORT COMMISSION  
Hon. Kimberly Brandon, Vice President  
Hon. Francis X. Crowley  
Hon. Ann Lazarus

**FROM:** Monique Moyer *M Moyer*  
Executive Director

**SUBJECT:** Informational Presentation on the Status of the Port's Surface Parking Lots Previously bid as Opportunity A: Seawall Lot 301 commonly known as the Triangle Parking Lot, and SWL 314 operated by Central Parking System under Lease No. L-14795, and Bid Opportunity B: Seawall Lots 322-I, SWL 323, SWL 321, and SWL 324 operated by Priority Parking-CA, LLC under Lease No. L-14747, all located in the Northern Waterfront.

**DIRECTOR'S RECOMMENDATION:** Informational Only; No Action Required

### I. History

The Port of San Francisco owns a number of surface parking lots that it directly leases to parking lot operators. These lots are leased to private parking lot operators with rent paid to the Port based on the greater of the minimum rent against percentage rent.

These lots service a very diverse customer base such as commuters, tourists, local merchant patrons including restaurants and shops, visitors to the Port, and cruise ship passengers.

It is the policy of the Port to periodically offer these business opportunities through the competitive public bid process.

In 2009, the Port undertook the process to offer its Northern Waterfront parking lots through a public bid process. The process began with the development of the Request for Bids package with the anticipated conclusion to award a lease or leases to the Highest Qualified Bidder for a term of three years.

**THIS PRINT COVERS CALENDAR ITEM NO. 10B**



The winning bidder or bidders would be selected based on proposing the highest minimum rent against 66% of gross receipts net of City Parking Tax and meeting the minimum qualifications for experience and financial capacity.

### **Opportunity A**

On October 13, 2009 the Port Commission approved Resolution No. 09-13, authorizing Port staff to offer a three-year lease for surface parking (Opportunity A) consisting of Seawall Lot ("SWL") 301, commonly know as the Triangle Parking Lot located at Taylor and Jefferson Street, and SWL 314, located at the corner of Bay Street and The Embarcadero, as shown on the attached Exhibit.

The Port Commission approved the Highest Qualified Bidder, Central Parking System at its January 12, 2010 meeting pursuant to Resolution No. 10-04.

The Lease was subsequently approved by the Board of Supervisors in March 2010 pursuant to Board Resolution 53-10.

The opportunity consists of SWL 301 which is approximately 71,545 square feet with approximately 286 self directed parking stalls bounded by Jefferson Street and Taylor Street. This lot primarily services Fisherman's Wharf merchants such as restaurants, shops, and Wharf visitors.

The goals of the Port for this lot are: (i) provide hourly and daily parking options for the Fisherman's Wharf area, (ii) provide free validated parking at same level as the former operator, (iii) provide free validated parking to additional Port retail tenants at Fisherman's Wharf, (iv) install control gates at entry point, (v) require that a written customer service policy and an operations plan is maintained at all times, (vi) City approved revenue capture equipment is utilized and in working order at all times, and (vii) adhere to all City Ordinances such as Prevailing Wage, Displaced Workers Act and City Healthcare Ordinance. The lease continues to prohibit monthly parking in this lot at all times.

SWL 314 is approximately 31,115 square feet with approximately 124 self directed parking stalls. SWL 314 is at the gateway to Fisherman's Wharf and Pier 39.

This lot primarily services the Pier 35 Cruise Terminal passengers, Fisherman's Wharf merchants, Pier 39 visitors, as well as local merchants and area commuters. The goals of the Port for this lot are: (i) provide hourly and daily parking options for the Northern Waterfront (ii) require that a minimum of 10% of the total parking stalls be dedicated to hourly parking to service the local merchants, (iii) require that a written customer service and operations plan is maintained at all times, (iv) City approved revenue capture equipment is utilized and in working order at all times, and (v) adhere to City Ordinances such as Prevailing Wages, Displaced Workers Act and City Health Care Ordinance.





## **Opportunity B**

On March 5, 2009 the Port Commission approved Resolution No. 09-13, for Port staff to offer a three-year Lease for surface parking (Opportunity B) consisting of SWL 321, SWL 322-1, SWL 323 and SWL 324, all as shown on the attached Exhibit.

The Port Commission approved the Highest Qualified Bidder, Priority Parking – CA, and the corresponding Lease pursuant to Resolution No. 09-48 at its October 13, 2009 meeting.

The Lease was subsequently approved by the Board of Supervisors on October 27, 2009 pursuant to Board Resolution 0446-09.

SWL 322-1 is approximately 37,810 square feet with approximately 151 self directed parking stalls. SWL 322-1 is bounded by Front Street and Broadway in the heart of the “Media Gulch” area. This lot primarily serves commuters but also provides monthly and daily parking options for the surrounding merchants and media companies.

SWL 323 and SWL 324 are utilized as a contiguous parking lot that is approximately 56,909 square feet with approximately 227 self directed parking stalls, bounded by The Embarcadero, Broadway, and Davis Street. The Lot primarily provides monthly parking for commuters and local businesses.

SWL 321 is approximately 53,199 square feet with approximately 212 self directed parking stalls located at Front Street, Green Street, and The Embarcadero. The lot primarily provides parking for commuters and local merchants. The Port retains the right to recapture some or all parking, amend or modify the lease as necessary to accommodate specific operating requirements, including at-cost validation, at the then current market rates to support of The Exploratorium Museum to be located at Piers 15-17.

The goals of the Port with this Lease are: (i) provide hourly, daily and monthly parking options for the Northern Waterfront, (ii) require a written customer service policy and operations plan is maintained at all times, (iii) City approved revenue capture equipment is utilized and in working order at all times, and (iv) adhere to City Ordinances such as Prevailing Wages, Displaced Workers Act and City Health Care Ordinance.

## **General Conditions**

The Leases provide for rent paid to the Port based on the greater amount of either the base rent or 66% of gross receipts net of City Parking Tax.

Each Lease includes the Port’s “Right to Expand Premise” clause. At the Port’s option, if an opportunity for additional surface public parking becomes available, the Port shall have the right to require the lessee to expand into certain sites contiguous or non-contiguous to the original leased premises but within Port jurisdiction for the sole purpose of providing surface public parking.



Rent for these Expansion sites is paid to the Port based on 66% of gross receipts net of City Parking Tax.

Each Lease contains a Plan of Operations attached as an Exhibit. The Plan must support good relations with retail and restaurant customers and generally include the following: Operational Approach; Customer Service / Quality Control; Employee Training; Staffing; Hiring and Transition. Non-compliance with the Plan is a material breach of the Lease. Changes to the Plan shall be made only with approval of the Executive Director of the Port.

The expansion option for Opportunity A is limited to Pier 45, Shed A & C. The expansion option for Opportunity B is for any potential parking operation from the Ferry Building north to Fisherman's Wharf.

Each Lease requires that the tenant will accept the parking lot(s) in its "AS IS" condition and the lessee is responsible for all necessary maintenance and compliance with laws and codes. Additionally all lots must be operated in accordance with all City of San Francisco ordinances and rules relating to revenue capture and tax payment.

The Leases allow the Port the right to require the lot operators to provide space for the City Car Share Program, Zip Car Share, and to provide space for electric vehicle charging stations and equipment. The Leases provide the right to terminate any of the Leases for any reason upon no less than 60 days' written notice.

The Leases require the tenants to pay its employees wages at least equal to the highest general prevailing rate of wages as paid for similar work in the City and County of San Francisco in private employment, as determined by the Board of Supervisors pursuant to Section 6.37 of the City's Administrative Code.

## **II. Results and Analysis**

### **Opportunity A**

Commencing April 1, 2010, Central Parking began operations of SWL 301, know as the Triangle Parking Lot, and SWL 314. Subsequently, the Port exercised its option to expand parking operations into Pier 45 Shed A for overflow Wharf parking. During the first nine months of operation Central Parking accomplished the following.

Central Parking reconfigured the layout and operations of the Triangle parking lot thereby adding approximately an additional twenty parking stalls as well as creating valet zones where parking attendants are responsible for individual parking zones. This change resulted in increased efficiency in lot operations which has translated to increased parking volume and significantly increased revenues as reflected in the financial information outlined below. In addition the hourly rates were raised from \$2.00 per thirty minutes to \$2.50 per twenty minutes to reflect the current market conditions of nearby competing lots located off Port property.





Central Parking put in place a state-of-the-art computerized validation system that links the parking lot revenue control equipment with the parking ticket dispensing equipment, to include a credit card payment option and Port retail validation equipment. The result has been a significant increase in the number of Port retail tenants that are able to participate in the free validated parking program.

Central Parking provides the Port with detailed parking activity reports that include the vehicle count, price per ticket, number of validated tickets both full and partial validations by the hour, day, week, and month. Central Parking has installed its proprietary software, "Smart Park Technology" at SWL 314. This software allows Central Parking to monitor in real time lot operations such as non-payment violations, vacant stalls, and vehicle counts.

From a financial perspective, the Central Parking lease provides the Port a minimum base rent of approximately \$161,000 per month for the combined SWL 301 and 314, allocated approximately as follows: \$112,000 for SWL 301 and \$49,000 for SWL 314. Minimum monthly base rent increases 3.3 % annually during the three year term.

In any month that 66% of the net revenue exceeds the monthly minimum base rent the Port shall receive the minimum base rent plus the additional amount as percentage rent. Revenue from Pier 45 Shed A is calculated solely on a percentage rent basis and is primarily operational during the peak visitor season and during major Holidays. From May through September of 2010, Pier 45 Shed A generated approximately \$33,700 in percentage rent payable to the Port.

From April (Central Parking's first month of operation) through November 2010, SWL 301 generated approximately \$960,000 in rent payable to the Port comprised of minimum base rent of approximately \$897,000 and \$63,000 in percentage rent. Rent payable to the Port from the corresponding time period of the previous year was approximately \$211,000 comprised entirely of percentage rent with no minimum base rent required.

During the same reporting period SWL 314 generated approximately \$417,000 in rent payable, an increase of 7%, primarily due to the higher base rent payable under the new Lease to the Port during non-peak months as compared to the previous year.

Central Parking experienced initial challenges during the transition period from approximately April through July 2010 in both operations and timely reporting. In July 2010 the Port met with Central Parking to implement a plan to immediately improve its performance, primarily in regards to the Triangle Lot. Since then Central Parking has improved its operational performance and reporting, staffed the lot more appropriately during peak season and worked cooperatively with both the Port and the Wharf community to provide the highest level of customer service.

New procedures implemented in response to the Port meeting and community input included: (i) Central Parking opened Pier 45 Shed A earlier in the day prior to the Triangle Lot filling up on anticipated peak days, (ii) it instituted on-site refunds for any dissatisfied customers, (iii) it provided a change fund to customers who did not have exact change for the pay stations, (iv) it required parking lot staff to actively engage in





traffic control measures at the entry on Taylor Street when necessary, and (v) Senior Management met with all Port tenants who participate in the free validation program to explain the validation process and proper use of the equipment to lot customers.

Central Parking continues to be open to further improvements in lot operations and customer service. Central Parking has agreed to attend any community meetings hosted by the Port to address whatever issues that may be brought to their attention. From the Port's perspective, an open issue is installation of new signage that identifies the additional Port tenants who participate in the validation program. According to Central, the signage is in the final stages of design and will be submitted to the Port for review within the next thirty days.

SWL 314 is primarily a self park lot and during the installation of the revenue capture equipment Central Parking staff was stationed on site to explain the new equipment. Financially the lease now provides a minimum base rent throughout the year that had not previously existed. The overall financial effect of the new lease provides the Port with a significantly higher stabilized annual revenue stream with an opportunity for additional revenue during the peak summer months, an improved reporting process and more responsive customer service.

## **Opportunity B**

Priority Parking commenced operations at SWL 321, 323, 324 and 322-I on January 1, 2010. Subsequently, the Port exercised its option to expand parking operations at Pier 27, Pier 27 Valley, Pier 27 apron, Pier 29, Pier 15/17, and the Pier 19 connector shed.

Priority Parking has reconfigured the SWL parking lots and the expansion sites for greater efficiency. The result has been an increase in the available parking stalls by 20% resulting in increased revenue to the Port. Priority Parking currently manages about 1,200 Port parking stalls on Port property.

From January 1, 2010 through November 30, 2010 SWL 321, 323 and 324 generated rent payable to the Port of approximately \$1.5 million in combined minimum base rent and percentage rent as compared to the previous year total of approximately \$900,000. This represents an increase of 60% in revenue to the Port.

During the same time period Seawall Lot 322-1 generated approximately \$503,000 in revenue to the Port, a slight increase from the previous year total of \$496,000.

Overall, Priority Parking has exceeded the Port's financial and operational expectations. Priority has instituted dedicated parking lot security patrol to monitor and secure Port lots. Priority Parking has installed the Port's first electrical vehicle charging stations, an event highly covered by Mayor Gavin Newsom, and the media.

## **III. Summary**

Under the new parking leases with Central Parking and Priority Parking, Port parking lot operations have been modernized through installation of state-of-the-art revenue



tracking and capture equipment, parking validation equipment, Smart-Car-Technology, improved parking lot layout and enhanced signage.

Operational improvements, combined with the significantly higher minimum base rents, resulted in a substantial increase in parking revenue to the Port from the Northern Waterfront parking lots. Total parking revenue in 2010 has increased by approximately \$1.375 million as compared to the corresponding time period from the previous year. Port staff anticipates future higher gains as Central Parking reports a full twelve month period in 2011.

Equally important, the improved operations of these lots have provided more available parking for visitors and customers of Port tenants. Overall the lots are better maintained, cleaner and have instituted customer service policies that are more responsive. The Port staff is actively working with both the parking lot operators to continue to improve customer service and ongoing operations in each Port lot.

#### **IV. Staff Recommendation**

This agenda report is presented for informational purposes only and no action is required.

Prepared by: Jeffrey Bauer, Senior Leasing Manager  
Jay Edwards, Senior Property Manager

For: Susan Reynolds, Deputy Director of Real Estate





EXHIBIT A

INITIALS: PORT: \_\_\_\_\_ TENANT: \_\_\_\_\_ DATE: \_\_\_\_\_


LEASE NO.  L—	 SAN FRANCISCO PORT COMMISSION PORT OF SAN FRANCISCO DEPARTMENT OF ENGINEERING	TENANT	OPPPORTUNITY A	
			DRAWN BY: ECC CHECKED BY: J. BAUER PLACE CODE NO. 3140-00	DATE: AUG 3, 2009 SCALE: NONE SHEET NO. OF SHEETS







EXHIBIT A

INITIALS: PORT: \_\_\_\_\_ TENANT: \_\_\_\_\_ DATE: \_\_\_\_\_

LEASE NO.  L—	 SAN FRANCISCO PORT COMMISSION PORT OF SAN FRANCISCO DEPARTMENT OF ENGINEERING	TENANT	OPPORTUNITY B	
		DRAWN BY: ECC CHECKED BY: J. BAUER PLACE CODE NO. 3140-00	DATE: JAN 26, 2009 SCALE: 1"=80'	SHEET NO. OF SHEETS



# **SAN FRANCISCO PORT COMMISSION**

**JANUARY 11, 2011  
MINUTES OF THE MEETING**

GOVERNMENT  
DOCUMENTS DEPT

FEB - 4 2011

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**MEMBERS, PORT COMMISSION**  
**HON. KIMBERLY BRANDON, PRESIDENT**  
**HON. ANN LAZARUS, VICE PRESIDENT**  
**HON. FRANCIS X. CROWLEY**

**MONIQUE MOYER, EXECUTIVE DIRECTOR**  
**AMY QUESADA, COMMISSION SECRETARY**



# **CITY & COUNTY OF SAN FRANCISCO PORT COMMISSION**

## **MINUTES OF THE MEETING JANUARY 11, 2011**

### **1. CALL TO ORDER / ROLL CALL**

Commission Vice President Kimberly Brandon called the meeting to order at 2:30 p.m. The following Commissioners were present: Kimberly Brandon, Francis X. Crowley and Ann Lazarus.

### **2. APPROVAL OF MINUTES - December 14, 2010**

ACTION: Commissioner Lazarus moved approval; Commissioner Crowley seconded the motion. All of the Commissioners were in favor; the minutes of the December 14, 2010 meeting were adopted.

### **3. PUBLIC COMMENT ON EXECUTIVE SESSION**

### **4. EXECUTIVE SESSION**

ACTION: Commissioner Lazarus moved approval; Commissioner Crowley seconded the motion. All of the Commissioners were in favor.

At 2:31 p.m., the Commission withdrew to executive session to discuss the following:

#### **(1) CONFERENCE WITH LEGAL COUNSEL REGARDING ANTICIPATED OR POTENTIAL LITIGATION MATTERS (Discussion and Action)**

- (a) Discuss anticipated litigation matter pursuant to California Government Code Section 54956.9(c) and San Francisco Administrative Code Section 67.10(d): As Plaintiff: 1

### **5. RECONVENE IN OPEN SESSION**

At 3:15 p.m., the Commission withdrew from executive session and reconvened in open session.

ACTION: Commissioner Lazarus made a motion to adjourn executive session and reconvene in open session; Commissioner Crowley seconded the motion. All of the Commissioners were in favor.





ACTION: Commissioner Lazarus made a motion not to disclose any information discussed in executive session. Commissioner Crowley seconded the motion. All of the Commissioners were in favor.

**6. ANNOUNCEMENTS:** The Commission Secretary announced the following:

**A. Announcement of Prohibition of Sound Producing Devices During the Meeting**

Please be advised that the ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic device.

**B. Announcement of Time Allotment For Public Comments**

Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

**7. EXECUTIVE**

**A. Election of Port Commission Officers**

Commissioner Brandon opened the floor for nominations of Port Commission President.

Commissioner Lazarus nominated Commissioner Brandon as President of the Port Commission; Commissioner Crowley seconded the motion. All of the Commissioners were in favor.

Commissioner Brandon was unanimously elected President of the Port Commission.

Commissioner Brandon thanked her fellow Commissioners for their continued support. Last year was a wonderful year for the Port. There were a lot of successes, a lot of changes. There's going to be even more this year with the America's Cup and maybe the Giants will win the World Series again and we'll have lots more revenue. We're looking forward to hearing about the Pier 70 RFP and the Exploratorium. There's so much going on and she's happy to be a part of it and be able to continue to serve on the Commission.

Commissioner Brandon opened the floor for nominations of Port Commission Vice President.

Commissioner Crowley nominated Commissioner Lazarus as Vice President. Commissioner Brandon seconded the motion. All of the Commissioners were in favor.



Commissioner Lazarus was elected Vice President of the Commission.

Commissioner Lazarus looks forward to working with Commissioners Brandon and Crowley. She seconded Commissioner Brandon's comments and looks forward to a very interesting year.

Ms. Moyer thanked the Commissioners for being willing to take on the role as officers. There are 85 public ports in the United States and there are not 85 women in officer positions at those public ports. We're proud to have the two Commissioners as our leadership as well as Commissioner Crowley. It's going to be a very exciting time; we do have a lot of work ahead of us. We look forward to seeing two bodies in those empty chairs soon. Staff intends to present the Port's budget next month. It will be ideal to have all Commissioners on board at that time.

B. Executive Director's Report: Executive Director Monique Moyer reported the following:

- Literacy for Environmental Justice's EcoCenter Receives National Environmental Award

The Environmental Protection Agency, EPA, has announced the EcoCenter at Heron's Head Park as one of five national achievements in environmental justice awards. It's an award that recognizes the partnership of multiple groups to bring environmental justice education into neighborhoods. The partnership that's being awarded is the Literacy for Environmental Justice, LEJ, which is our contractor and our tenant at Heron's Head, as well as the City and County of San Francisco through the Department of Environment and the Port, the State of California through the Coastal Conservancy, and our industry partners, Toby Long Design and Treadwell and Rollo.

She acknowledged Malik Looper and Pamela Culvert and LEJ staff as well as chairwoman Deana Rossi, for their incredible work and for putting together their application for the award. The EPA makes these awards to recognize partnerships of governments, non-profits, and industry that address local environmental justice concerns that result in something positive. The EcoCenter at Heron's Head Park is the only environmental justice center for education in the Bay Area. It is a very popular one. In addition, it is 100 percent off the grid. It has taken almost 10 years in the making to get to this era. It will be one of the greatest spots to watch the America's Cup in 2013, and hopefully it will be very popular and become very well known as a result. The EcoCenter is about 1,500 square feet. It is off the grid, and it teaches all of us about renewable energy, pollution, greenhouse gas reduction, wastewater treatment, green building materials, and the green economy. It was funded with money from the City's Department of the Environment, the Coastal Conservancy, the State Water Resources Board, and with the lease from the Port of San Francisco. Numerous departments have helped it to become off the grid,



which includes the Department of Building and Inspection, the Department of Public Health, and the San Francisco Public Utilities Commission. It is really a great effort and we're extremely proud. Congratulations to them for winning such a prestigious award, one of five to win throughout the country. We wish them well.

- Response to Pier 70 Waterfront Site RFQ

On Monday, January 10, 2011, the Port of San Francisco received six responses to the Pier 70 Waterfront Site, a 25 acre site on the central waterfront.

1. Build Inc.
2. Forest City Development California
3. Mission Bay Development Group
4. San Francisco Waterfront Partners
5. TMG Partners
6. United States, Department of Veterans Affairs, San Francisco Medical Center

We received a lot of very interesting proposals. We are happy to see many of our local partners showing interest in what is such an incredible site. This is another great viewing place for America's Cup. The Port offered this competitive solicitation process after three years of community planning, which resulted in the Pier 70 Preferred Master Plan. Review of the submittals will evaluate which developers are qualified, through experience and financial capacity, to meet the goals established in the Master Plan. Staff and consultants are evaluating the responses and will have more information to present to the Commission in late February or early March.

- San Francisco Architectural Heritage releases a new book *Port City : The*

Equally exciting is the pending 40<sup>th</sup> anniversary of San Francisco Heritage. Mike Buhler, executive director, brought a sample of their celebratory work, which is most appropriately titled Port City. It is an amazing piece of work which reminds us all of the fact that there was a Port and then there was a city. Sometimes we forget that but the Port is a very integrated part of the City's heritage in so many ways.

Mike joined San Francisco Heritage in August 2010 as the executive director. He moved from the Los Angeles Conservancy, where he led the organization's advocacy programs. He was successful in the preservation of historic resources at the Port of Los Angeles, which was very intriguing. He's a regional attorney for the National Trust for Historic Preservation's Western office, and is on the Board of Trustees for the California Preservation Foundation since 2006 and has published two publications on their behalf, Award-Winning





Design Solutions and What's In It For You: Capitalizing on Historic Resources with The Mills Act. He received his JD from Santa Clara University School of Law and has now come to our fine City to lead an organization at a very important point in its celebratory history. One of the most interesting things in the book was how the Port was influential in the City being established during the Gold Rush and that sort of era, but equally important was the Port's role or the role of our partners in the rebuilding of the City after the 1906 earthquake and fire. It's a very intriguing work. She thanked Mike for taking it on.

Mike Buhler indicated that this position is really a homecoming for him. Before the Los Angeles Conservancy, he was at the National Trust western office in San Francisco for eight years. He's delighted to be back in San Francisco working with the Port, and throughout the City, to save its historic resources. This is a great opportunity. The Commissioners were provided a copy of the book and he hopes that they will get a chance to read through it and learn all the interesting aspects of the Port's history, which were new to him. This is the first book to tell the comprehensive story of the Port of San Francisco, a largely unknown story. It goes well beyond describing the Port's architectural and engineering landmarks and delves into the labor history and the history of workers and warehouses and offices that were connected to the Port, and talks about the story of how the Port did precede the development of the City and was instrumental in the development of the City.

It chronicles the Port from its inception in the mid-19th Century to the present day and concludes with an epilogue, tracing the recent and on-going transformation of the Port from the 1950s to the present day, and sets the stage for future changes ahead, especially with the recent announcement regarding America's Cup.

The book is a wonderful read; it features over 300 historic photos, maps, illustrations from different eras of the Port's history, and is a lavishly illustrated book.

This project was all made possible because of the long-term partnership between San Francisco Heritage and the Port of San Francisco. Dating back to the late 1990s, Heritage worked closely with the Port and the community in conceiving the proposal for the National Register Historic District, the Embarcadero Historic District. This partnership has continued to the present day. Since August, from his start at San Francisco Heritage, he's been working closely with Mark Paez, who is on our board, as well as Renee Martin in planning for the rollout of the book and for events that will be associated with the release of the book. We want to get maximum exposure for this project and we have several events already on the



calendar, including a panel discussion at the California Historical Society, to highlight this very rich story. Those events will be posted on the San Francisco Heritage website.

In addition, our partnership transcends this particular project. Over the years, the Port has appeared before our committee for feedback on various projects proposed at the Port. He's honored to have recently been appointed to the Central Waterfront Advisory Group and looks forward to attending his first meeting.

The annual fundraiser will be at Pier 35 this year and thanks again to Monique and to Mark and others for helping to secure that venue. This project is critical to advancing Heritage's mission of education and advocacy, but also the Port's mission. Especially as the world's attention will be focused on the rich array of historic resources that comprise the historic waterfront at the Port of San Francisco.

The book is currently available on their website. They received a shipment a few weeks ago. He also dropped off an order at Book Passage, which is a logical retailer for this book and they're pleased to have them as a partner in this project. Likewise, the Port will have copies at its offices for sale to the public.

He looks forward to working together with the Port in the months and years ahead.

Ms. Monique thanked Mike Buhler for taking on the committee assignment for the Port's Central Waterfront Advisory Group. He'll enjoy it; it's a great place to be. The book is fantastic.

- Carnival Splendor

Carnival Splendor, the ship that broke down outside the waters of Mexico, has been in drydock in San Diego and she is coming to San Francisco for some additional work. She will be arriving on January 22, 2011 and will be at the Port for four weeks to complete engine repairs. One of the reasons she has to leave San Diego and come to San Francisco is because she is a post-Panamax ship, in that she is too large for the Panama Canal. Therefore there are no drydocks, except for ours, on the West Coast that are capable of lifting her up and doing this important engine work. The Carnival Splendor is 110,000-ton ship, 951 feet long. Pier 27 is 1,100 feet long, 120 feet wide, and 27 feet deep so she would still fit there. She carries about 3,000 passengers and 1,150 crew members. This repair job is going to provide lots of employment in San Francisco for the next four weeks, which BAE has been gearing up for some time.



We're excited to have that opportunity and glad to have the partnership of BAE and Princess Cruise Lines to have converted our drydock to handle this type of repair. We commend BAE for their excellent work going forward.

- In Memoriam - Michael P. (Red) McGarvey - Michael P. McGarvey, the co-founder, with his brother, of Red's Java House at Pier 30-32 passed away at the age of 85. He had moved on from Red's some time ago, but for about 40 years he and his brother owned and operated the Red's Java House. He grew up on Potrero Hill. At the age of 16, he joined the Merchant Marine on the heels of the bombing of Pearl Harbor. He is very much a true San Franciscan and spent a lot of great years at Red's, and his memory lives on.

8. **CONSENT:** The Commission Secretary announced that Item 8B will be taken out of the Consent Calendar so that Project Manager Kanya Dorland can present the amendments to the resolution.

- A. Request authorization to consent to Assignment and Assumption of contract between the Port and Treadwell & Rollo, Inc. for environmental consulting services at Pier 70 to Langan Engineering and Environmental Services, Inc. (Resolution No. 11-01)
- C. Request authorization to accept and expend \$90,000 in grant funds from the Association of Bay Area Governments Bay Trail Program for the Pier 43 Promenade Bay Trail Project, adjacent to The Embarcadero Roadway, between Powell and Taylor Streets in Fisherman's Wharf. (Resolution No. 11-03)

ACTION: Commissioner Lazarus moved approval; Commissioner Crowley seconded the motion. All of the Commissioners were in favor. Resolution Nos. 11-01 and 11-03 were adopted.

- B. Request approval of resolution for relocation of JC Decaux Public Service Kiosk from the 2800 block of Taylor Street to the southeast corner of Taylor Street and the Embarcadero. (Resolution No. 11-02)

Kanya Dorland, Planning and Development, explained the amended resolution for the JC Decaux kiosk relocation. Port staff is requesting retroactive approval for the permanent relocation of the Taylor Street kiosk because the Taylor Street kiosk had to be relocated to accommodate the Taylor Street improvement project in August 2010. It was relocated in September 2010 because it was an opportune time for JC Decaux to take advantage of the sidewalk work and save cost in the relocation. The contract with JC Decaux and the City requires that the Port Commission approve any location or relocation of a kiosk. This relocation was coordinated with DPW and JC Decaux to make sure it met with the design guidelines that were attached to the contract. There were no public comments received after the 30-day notification letter





was sent out to all the property owners and tenants within 150 feet of the JC Decaux relocation site. The relocation site was presented to the Fisherman's Wharf Waterfront Advisory Committee in September of 2010 and no comments were received. The kiosk has been in place for roughly three months and no comments have been received.

ACTION: Commissioner Lazarus moved approval; Commissioner Crowley seconded the motion. All of the Commissioners were in favor. Resolution No. 11-02 was adopted.

## **9. FINANCE AND ADMINISTRATION**

### **A. Informational update on the Port's 2008 Clean and Safe Neighborhood Parks General Obligation Bond Capital Program.**

Elaine Forbes, Deputy Director of Finance and Administration, indicated that this report is to provide an informational update on the Port's progress delivering the capital projects funded by the 2008 GO Bond. On February 5, 2008, the San Francisco voters approved a \$185-million general obligation bond measure entitled 2008 Clean and Safe Neighborhood Parks General Obligation Bond, of which \$33.5 million is allocated to several waterfront parks. Thanks to the generosity of San Francisco voters, this is the first time that the Port received funding from general obligation bonds where the City is the repayment entity. Neighborhood parks received \$117.4 million, Port parks \$33.5 million, restrooms \$11.4 million, play fields \$8.5 million, community opportunity grants program \$5 million, park trail reconstruction \$5 million, park forestry \$4 million, and the Citizen's Oversight Audits and Committee \$200,000 for a total of \$185 million. The general distribution was 82 percent to the Rec and Parks Department and 18 percent to the Port. For our project allocation, Pier 43 Bay Trail Link will receive \$7.6 million, the Brannan Street Wharf \$2.9 million, the Blue Greenway projects \$21.6 million, CEQA review and permitting for all projects \$578,000, and the bond issuance and other costs at \$658,000. Notably, the Blue Greenway projects received about 65 percent of the overall allocation.

The GO Bond Sale Ordinance, which passed in October of 2007, and which placed the 2008 GO Bonds on the ballot, requires that the Port Commission review and approve all expenditures prior to the bond expenditures. The City completed two issuances of the GO Bonds; one in August 2008 for \$3.7 million. This primarily funded environmental review and certain pre-construction costs. The other was in March 2010 for \$10.7 million. This funded detailed design and portions of the construction budgets, mostly for Pier 43 and Bayfront Parks.

We have plans for two more sales to be timed with project readiness, one coming up in the spring of this year to fund construction of Pier 43



Bay Trail Link project and portions of the Brannan Street project and the Blue Greenway project. The final sale will likely be in the spring of 2012 for \$7 million. It will be exclusively for the construction of the Blue Greenway projects.

The Pier 43 Bay Trail Link will restore public access for over 550 linear feet of neglected waterfront in the heart of Fisherman's Wharf by creating a new public promenade. The project will demolish the majority of Pier 43½, a condemned timber pier, protect the shoreline by replacing a failing timber seawall between Pier 43 and the Franciscan Restaurant, and construct a promenade along the shoreside extending over the water's edge. Environmental review is complete for this project, entitlements are in place, and bid will be advertised this month. The construction schedule is for 18-months. We are nearing construction on this project.

The first and second issuances contain the majority of funding for this project, already allocated, \$7.65 million. There's a very small amount in the third issuance for this project, approximately \$30,000. The total project cost is \$10 million. We have other sources of funding on this project.

The Brannan Street Wharf will be a new, 57,000-square-foot public open space located over the Bay adjacent to the Embarcadero Promenade between Piers 32 and 38. The project will demolish a condemned Pier, 36, and bulkhead wharf constructed in the early 1900s and construct a new, triangular-shaped wharf. The final design is nearly complete for this project. The final EIR is anticipated in the summer of 2011. The Port Commission recently approved and signed an agreement with the U.S. Army Corps of Engineers to carry out the demolition of this project, which is now expected to begin in November of 2011.

The Americas' Cup event authority will use the newly constructed wharf for public viewing for the event. As a result, this requires project completion by June 2013. Port staff is working closely with the Army Corps to advance our schedule. We are also working to resolve a funding shortfall in this project so that we can meet the schedule and get this park built in time. The shortfall is about \$4 million.

The Blue Greenway projects are to improve and expand the public open-space network trails along the City's central and southern waterfront, from China Basin Channel to the San Francisco County line. At the time of the GO bond approval, the Blue Greenway project was not well defined. As a result, several potential projects were listed as eligible to receive GO bond funding. The development of the Blue Greenway planning and design guidelines will identify how the GO bond resources will be allocated.



In order to meet the funding requirements, a few of the projects were identified for early implementation, but most projects are awaiting completion of the community planning process. For those that had early identification, the Mission Bayfront Park design is completed and the construction date is expected this spring. Heron's Head Park improvements are in the design phase and construction is also expected this spring. For the Pier 70 Crane Cove Park, we have an RFP for project assistance and the planning process is ongoing.

The first and second issuances provided \$6 million for these projects. The third issuance will provide \$8.6 million, and the final issuance is exclusively allocated to construction of these projects at an anticipated value of \$7 million.

Combined with our existing waterfront parks - Pier 7, Harry Bridges Plaza, Pier 14, Rincon, South Beach, and Heron's Head Parks - the 2008 GO bond supported the development of a series of new public parks and open spaces. In the next phase of project implementation, we will see construction of Pier 43 and the Brannan Street Wharf. We will be working with our stakeholders, the Port Commission, the Mayor's Office, the Board of Supervisors, and the Capital Planning Committee to develop a proposal to finance Pier 27, the Northeast Wharf Plaza, China Basin Park, Illinois Street Cargo Way pedestrian and bicycle improvements to achieve the Commission's vision of a series of public parks and open spaces along a continuously walkable waterfront. Port staff will be back in March with a supplemental appropriation for the third sale.

With the \$4 million funding shortfall for the Brannan Street Wharf project, Commissioner Crowley asked how staff is proposing to capitalize the shortfall.

Steve Reel, project manager for Brannan Street Wharf, replied that what staff has done with the project is to have a scope of work in the base contract that we can afford, and then we have added in alternates for the project to complete the full build-out. The full build-out is where we're \$4 million short. The additive alternates are the floats and gangway and portal, which cost approximately \$1.3 million. There's a shade structure, which is estimated at a little over \$300,000. There is a section of the wharf that is adjacent to Pier 30-32 which is part of the bulkhead wharf for Pier 30-32 that is another alternate that we propose not to demolish and construct the portion of the Brannan Street Wharf in that area. It's about 140 feet long. It is quite an impact to the project, specifically with the America's Cup and with that as part of the viewing area. Not delivering that particular piece is a problem for us and we're about \$2 million short for delivering that piece. We're currently looking for additional funding but we have a base project we can afford to build and





we have additive alternates for the full build-out.

Commissioner Brandon indicated that on the last informational presentation that the Commission received in August, they received more specifics on what we were doing with each project and early implementation and status. It doesn't seem to coincide with what staff is presenting today. For instance, the Blue Greenway planning and design standards is \$2.5 million, where we had it laid out with Tulare Park \$700,000, Greenway signage and wayfinding \$700,000. We had Heron's Head Park at \$1.7 million. Today, we have it at \$500,000. She wondered how we're actually allocating the bond proceeds that we've already funded and the new issuance.

Elaine Forbes replied that the way we're allocating for Blue Greenway in the first issuance was \$770,000 for general Blue Greenway, \$431,000 for Bayfront Park, \$550,000 for Heron's Head Park. In the second issuance, there was another \$1.8 million overall for Blue Greenway, Bayfront Park \$2.5 million. In the third issuance she aggregated the overall cost of the Blue Greenway project. David Beaupre must have presented more specifics of the allocation for the specific projects. Attached to the staff report are the reports by project that staff issued in November, which was updated for December, which may provide more detail of the actual allocations per project.

Commissioner Brandon indicated that most of them are listed as "to be determined."

Elaine Forbes indicated that she and David will provide the Commissioner more details when David gets back from vacation.

Commissioner Brandon indicated that when staff comes back in March with the informational presentation, perhaps the report can be consistent so that we can discuss specifically where the funds are allocated and for what purpose instead of aggregating it.

Lawrence Brown, Finance Department, added that when the Heron's Head Park was conceived, we didn't have a strong concept. When the 2008 bonds were sold, we had a preliminary budget of \$550,000. Through the community planning process, the scope of that project has expanded and the cost is approximately \$1.5-\$1.7 million. It's been funded \$550,000. We plan on funding the rest of that project in the third issuance. For the rest of the Blue Greenway projects, they're just finishing up the community planning process and most of them are to be determined; the budgets haven't been specifically laid out yet. They're working on the budgets and they're going to be bringing things out to the community, and once those are determined, there will be budgets. The future bond issues will be funded with the budgets. The budgets for the



rest of the parks, Tulare Park, haven't been completely determined yet. We're still working with the community.

Commissioner Brandon indicated that her issue is the fact that in August we had more specifics after the community process of where we were going forward. It seems we may have taken a step backward. She asked that at the March presentation we can stay consistent and know where the funding is going and what we're doing.

## **10. REAL ESTATE**

### **A. Informational Presentation on the Status of the Port's Holdover and Month-to-Month Lease Portfolio Pursuant to the Month-to-Month Leasing Policy.**

Mark Lozovoy, Assistant Deputy Director of Real Estate, indicated that in December 2008, the budget and finance committee of the Board of Supervisors convened a hearing with various City departments regarding their portfolios of month-to-month leases, licenses, and other agreements. Specific to the Port, the Board of Supervisors' inquiry examined two basic types of leases. They looked at holdover leases which initially had a term and then had gone to holdover, and month-to-month leases which were originally month-to-month leases and had remained month-to-month leases.

The budget analyst's main concern at the time was that the Board was potentially losing its oversight over these agreements, pursuant to the City Charter. The City Charter requires the Board of Supervisors approval of all non-maritime leases with a term of 10 years or more, or those that produce an anticipated revenue stream of over \$1 million.

In January of 2009, Port staff gave an informational presentation to the Commission providing an overview of the Port's leasing practices and policies and also describing the steps that the Port had undertaken to address a significant backlog of holdover month-to-month leases.

In May of 2009, Port staff provided another presentation to the Port Commission as to the status of the holdover and month-to-month leasing agreements and at that time, also requested approval of the month-to-month leasing policy, which the Port Commission approved.

The month-to-month leasing policy authorizes Port staff to enter into month-to-month leases with no specified term, but with specific conditions and for special uses. Those uses include properties that are planned for future development such as small storage agreements, fish gear storage, construction lay-down, utility easements, curb spaces, and sidewalk encroachments, and other circumstances where a term or term agreements were not the preferred approach.



The month-to-month leasing policy states that although the Port prefers to enter into term leases with leases with terms of three years or more, this policy doesn't. This strategy doesn't necessarily fit all leasing situations, in which case the Port can rely on month-to-month leases as a part of its overall real estate strategy for leasing.

The month-to-month leasing policy also reiterated the Port's broader policy to charge market rent for all month-to-month and holdover agreements, consistent with the Commission-approved parameter rent schedule.

In addition to adopting the month-to-month leasing policy, in January of 2008, the Port implemented a holdover and month-to-month lease project in order to review and deal with all of the backlog Port holdover month-to-month leases.

Through early June of 2010, the project was basically staffed by two employees, which were on loan from the City's Department of Real Estate. Unfortunately, in June both of those positions were cut from the City budget. At that time, one of those employees retired, but has since returned to the Port as a Prop F employee on a part-time basis. He is currently the coordinator of this project, and he manages the project with the help of other various Port employees.

Currently, there are 271 agreements on a month-to-month and holdover status. They are comprised of five separate categories. There are 156 agreements which fall under the category that's covered under the month-to-month policy. There are 73 which are in active negotiations; 30 of which are in lease negotiations; the others are being teed up in the queue for prioritization and negotiations.

The third category is month-to-month agreements, which there are 19. These are agreements which, by the virtue of their DNA, they're month-to-month agreements. They're sidewalk encroachments, easements; the ones that we don't want terms on them.

The fourth category is those tenants that have not signed up for a term, but are getting rent increase letters. There are 16 tenants in this category and would like to remain on a month-to-month, but they need to pay market rent.

The fifth category relates to tenants or agreements on facilities that have physical limitations associated with them. These are agreements at facilities where they might be partially yellow-tagged or partially red-tagged, and those areas where our engineers don't want us leasing with any kind of a term, just month-to-month.





Since the inception of the project in early 2008, over 300 agreements have been reviewed, negotiated or handled, resulting in 65 new leases being signed at market rates with terms; 62 holdover leases but the rents have been increased to market; 156 agreements which fall under the broader month-to-month leasing policy; and 40 tenants that chose to terminate their leases simply because they didn't want to sign a longer-term lease or they didn't want to go month-to-month at market rates.

The end product of these various negotiations has resulted in the generation of over \$252,000 in additional monthly revenue, which equates to approximately \$3 million annually. With only a few exceptions, most of the remaining project agreements represent much less revenue potential to the Port. The real bang-for-the-buck agreements have already been handled and taken care of. The rest, on a per-agreement basis, have a much less revenue potential.

Commissioner Lazarus asked if there is a point at which this project would be considered complete. Obviously staff will continuously look at leases, but this was triggered by the action at the Board of the Supervisors.

Mark Lozovoy replied that it's going to be complete when all of the agreements fall under the month-to-month policy. We do have a broader policy that allows for month-to-month leasing, and it has certain criteria. Once all of our month-to-months fall under those criteria, it will be regular, routine management.

Commissioner Brandon indicated that she's very excited about the increased revenue.

- B. Informational Presentation on the Status of the Port's Surface Parking Lots Previously bid as Opportunity A: Seawall Lot 301 commonly known as the Triangle Parking Lot, and SWL 314 operated by Central Parking System under Lease No. L-14795, and Bid Opportunity B: Seawall Lots 322-I, SWL 323, SWL 321, and SWL 324 operated by Priority Parking-CA, LLC under Lease No. L-14747, all located in the Northern Waterfront.

Jeffrey Bauer, Port leasing manager, indicated that he and Jay Edwards, senior property manager for the northern waterfront, will provide the Commission a status of the Port's parking lots that were bid in 2009. These lots were grouped in two opportunities. Opportunity A consisted of seawall lot 301, commonly known as the triangle parking lot, and seawall lot 314. The highest qualified winning bidder was Central Parking System. The second opportunity consisted of seawall lots 322-I, seawall lot 323, seawall lot 321, and seawall lot 324. The highest qualified winning bidder was Priority Parking.



Each lease provides a term of three years with annual increases to the minimum monthly rent. Rent is paid on the basis of the greater amount of either the minimum rent or 66 percent of gross revenues, net of parking tax.

Each lease provides for an expansion right, in that the Port may require the operator to expand and operate surface parking at different locations. In these cases, rent is paid on a pure percentage basis, 66 percent of gross revenues, net of parking tax. Both of these leases were approved by the Port Commission and the Board of Supervisors. The primary goal of bidding these lease opportunities was to maximize the revenue that these leases may provide, and also to provide parking options for both tenants and visitors to the Port and generally update and modernize our parking lot operations.

The other goals included City-approved revenue-capture equipment, provision or providing for the option for debit credit card transactions, revenue monitoring and tracking systems. Specifically in the wharf, there was a requirement to provide a specific amount of free, validated parking, a predetermined time period, and also include more tenants that would have that option to participate in the free, validated program.

The lease requires installation of control gates where appropriate, requires a customer service and operation plan. The successful bidder would have to adhere to all City ordinances, highest prevailing wage, displaced workers act, and revenue-capturing and tracking equipment.

Jay Edwards, Senior Property Manager responsible for monitoring the operations and performance of the lots, presented the financial performance of both opportunity A and B.

Opportunity A is the Central Parking lots 301 and 314. Each lease contains a very detailed customer service and operations plans. If they're not adhered to, it's considered a material breach of the lease, so it does have a lot of enforcement power.

Seawall Lot 301 is the triangle parking lot and the lease commenced on April 1, 2010. The first phase was getting it up and running and operational, and that consisted of reconfiguring the lot and adding approximately 20 stalls. They created valet zones to make it more efficient for each one of the attendants to take the customers and put them into a specific spot. They retained nine of the 11 previous employees, and they raised the hourly rates, but they kept the maximum daily rates the same. They honored all of the validation from the existing merchants who had previous validation agreements with the Port.

In mid-July, 2010, he and the executive director met with Central



Parking's senior management as an opportunity to update and improve their performance and in response to some community input received.

During the Phase 2 period, from August to December, Central Parking increased staffing, they actively engaged in traffic management control, they opened Shed A, which is the ancillary parking lot on Pier 45, earlier than they had done in the past in anticipation of any peak days. They installed the revenue-capture equipment, the automated pay stations at several locations to make it easier for customers to disperse and pay prior to leaving the lot. They installed control gates at the Taylor Street entry and the Shed A entry. They distributed all the validation equipment to not only the existing tenants, but to the new percentage rent tenants that are included on the validation program. They met with the Port and provided additional updates, as well as the community, and they instituted onsite refunds and a change fund to customers.

There were several challenges during this timeframe that they were operating under. The Port implemented the Taylor Street reconstruction project that had the entry to the Triangle Lot down to one lane, so it was a very constricted working area. There were a lot of issues around that and they responded accordingly.

In addition, there were ongoing community meetings. One was held yesterday with the community to see if we can improve the performance and introduce a new General Manager to the community.

In regards to the financial performance, the lease now requires a minimum monthly base rent of \$112,000 plus percentage rent in excess over the base. The rent payable from April through November was \$960,000, which was \$897,000 of minimum base rent and \$63,000 in percentage rent. The revenue for the corresponding previous reporting period was \$211,000. The Shed A generated \$34,000 in percentage rent, from May through September.

On this particular lot, Port staff believe that the operational and financial performance will continue to improve as they become more experienced in operating this lot, which takes a lot of hands-on experience, as well as the completion of the Taylor Street project.

In regards to seawall lot 314, which is the lot directly across from the Pier 35 cruise terminal, this is primarily a self-park lot. They have added the hourly parking per the required contract. They've installed revenue-capture equipment. They've installed smart-park technology, which allows them to monitor the operations in real time. The financial performance resulted in a 7 percent increase in revenue, rent payable to the Port. Linking these two lots was key to maintaining good operation and control from the Port's perspective.





From a financial point, the revenue stream has been evened out. We receive a minimum base rent of about \$49,000 per month; an improvement over the previous terms.

With regards to opportunity B, seawall lot 321, 322, 323, and 324, Priority Parking commenced their operations as of January 1, 2010. They also have a detailed customer service and operations plan attached to the lease and can be considered a material violation if not adhered to.

They also reconfigured the lots for improved efficiency. They've improved the lighting and the cleanliness of the lots. They've installed the revenue-capture equipment. They've been responsive to the Port's requests. For instance, at Pier 27 there are maritime operations that need to be adjusted periodically, and they've been more than willing to do so when asked. They've installed the first electric charge station, which was well received from a public relations standpoint for the City and for the Port.

In terms of their financial performance, there was a 60 percent increase in the rent payable to the Port, from approximately \$900,000 to \$1.5 million.

These new leases have modernized and improved the operational performance of the northern waterfront parking operations. Customer service policies are now in place and adhered to. Community input is sought out on an ongoing basis. The financial performance has resulted in \$1.375 million of additional revenue to the Port in the corresponding time periods.

Overall, the Port is pleased with the financial and operational performance of these lots and of our parking operators. Port visitors and tenants will continue to experience superior customer service as well.

Aaron Zeff, CEO Priority Parking, indicated that Priority Parking is the Port's only locally-owned parking company, and as the report stated, they are also very pleased with their performance. A 60 percent same-store improvement is not achievable without a team approach. He thanked and recognized the property managers at the Port: Monico Coral, Jeff Bauer, Jay Edwards, Denise Turner, and real estate director Susan Reynolds, and maritime deputy director Peter Dailey. They worked very closely with them over the last 12 years to make these the most efficient and profitable parking lots in the Port's inventory. His company's corporate sustainable and environmental practices have put in place green initiatives that are making the Port the leader within the region. They recently installed the first ever publicly-accessible, Master Card-initiated, enabled electrical vehicle charging stations. While



these vehicles are slowly rolling off the assembly lines at General Motors and Nissan and some other manufacturers, we had a very successful event which Mayor Newsom, Director Moyer and many members of the media attended. The backdrop was interesting because it was the Port's shoreside power component. While that was in the background, in the forefront we had our electric vehicles and the Port's electric vehicle charging stations. It was not a mandated program, but this was a public-private partnership. Our company provided the equipment and the Port provided the installation.

What does the future have in store for parking? While it may not be a glamorous component to the Port's daily activities, we believe that by expanding the charging station network on the Port property, it will make it the most accessible parking area for electric vehicles in the city. They will be working closely with the staff as well as the America's Cup organizing committee to make the Port's parking and transportation management seamless. We are working closely with the City's car-share providers to expand the accessibility and car-share pods within the Port's parking inventory.

The profitability, the accessibility, and the environmental stewardship on the Port's property have significantly improved in the past 12 months. We look forward to many more years of this service.

Commissioner Brandon thanked Port staff for a great presentation and looks forward to more Port revenues.

## **11. NEW BUSINESS**

Commissioner Lazarus asked for an update, in the reasonably near future, regarding the development project at seawall lot 337.

Ms. Moyer replied affirmatively.

Commissioner Crowley indicated that he recently took a tour of the Port with Peter Dailey and Susan Reynolds. They gave him an extensive overview of our proud heritage and it reminded him that in looking at what was going on and what's coming in our future that we possibly do not have a maritime preservation policy. With the drydock and many things that we do on the southern tip of the waterfront, and also the fisheries at the wharf, it's an important item. We shouldn't forget where we came from. He asked if we can implement or renew a maritime preservation policy. Commissioner Crowley thanked Peter and Susan for opening his eyes.

Ms. Moyer indicated that we currently don't have one but we would be delighted to craft it and present such a policy to the Commission. She thanked Commissioner Crowley for his interest. It is an important policy for



the Port to have.

## **12. PUBLIC COMMENT**

Neil Malloch, historian with the California Heritage Council, brought to the Commission's attention an upcoming important historical anniversary. On January 18, 2011 is the 100th anniversary of what is widely regarded, although one can quibble about the historical anniversaries and beginnings and whether they're discoveries or exploration or inventions, as the birthplace of naval and, more broadly speaking, maritime aviation. It was the first roundtrip flight from land, landing on a ship, and then taking off from a ship and returning to land by Pilot Eugene Ely, employed by Glenn Curtiss, pioneer of aviation. In November 1910, the first flight on a ship to a ship took place at Hampton Roads, Virginia on the U.S.S. Birmingham. Ely flew on the ship from Selfridge Field. It was the first flight through and/or over the Golden Gate. This particular flight was from Selfridge Field, landed on the U.S.S. Pennsylvania, specially rigged up by a Navy lieutenant, the first naval officer appointed to be an aviation pilot. His name was Ellison. He rigged it up so that the plane could actually land and be contained and not fly off the deck. The whole thing was held in San Francisco. Ely did it, and then he flew back to Tanforan Airfield in South San Francisco. It was the first on-and-off flight on a ship and the first flight off a ship. This is a very important anniversary. It was right here, approximately between the second and third towers of the Bay Bridge. Thousands of people lined the waterfront from the Ferry Building to the Folsom Street Pier. The Naval Order of the United States, an important naval support group, is going to have an event on the carrier Hornet. The Hiller Museum of Aviation History at San Carlos has an exhibit and they have a replica of Ely's plane. Our group proposes to have a brief memorial event at the rear of the Ferry Building on January 18, 2011.

## **13. ADJOURNMENT**

**ACTION:** Commissioner Crowley moved approval to adjourn the meeting; Commissioner Lazarus seconded the motion. All of the Commissioners were in favor.

Commission President Brandon adjourned the meeting at 4:23 p.m.





# SAN FRANCISCO PORT COMMISSION

Kimberly Brandon, President  
Ann Lazarus, Vice President  
Francis X. Crowley, Commissioner

Monique Moyer, Executive Director      Amy Quesada, Commission Secretary  
Phone: 415-274-0400; Fax: 415-274-0412      Phone: 415-274-0406; Fax: 415-274-0412

## AGENDA

TUESDAY, FEBRUARY 8, 2011

2:00 P.M. CLOSED SESSION

3:15 P.M. OPEN SESSION

PORT COMMISSION HEARING ROOM, SECOND FLOOR  
FERRY BUILDING, SAN FRANCISCO, CA 94111

PLEASE NOTE THE TIME OF THE MEETING

*The Port Commission Agenda as well as Staff Reports/Explanatory Documents available to the public and provided to the Commission are posted on the Port's Website at [www.sfport.com](http://www.sfport.com). The agenda packet is also available at the Pier 1 Reception Desk.*

*If any materials related to an item on this agenda have been distributed to the Port Commission after distribution of the agenda packet, those materials are available for public inspection at the Port Commission Secretary's office located at Pier 1 during normal office hours.*

1. CALL TO ORDER / ROLL CALL
2. APPROVAL OF MINUTES - January 11, 2011
3. PUBLIC COMMENT ON EXECUTIVE SESSION
4. EXECUTIVE SESSION

GOVERNMENT  
DOCUMENTS DEPT

FEB - 4 2011

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- A. Vote on whether to hold closed session.

An Executive Session has been calendared to discuss the following matters:

- (1) CONFERENCE WITH LEGAL COUNSEL REGARDING EXISTING LITIGATION MATTER.
  - a. Discuss existing litigation matter pursuant to California Government Code Section 54956.9(a) and San Francisco Administrative Code Section 67.10 (d) (1 case):



Molly M.D. Christensen v. City and County of San Francisco, San Francisco Superior Court Case No. CGC-10-499794. Proposed settlement of litigation alleging personal injuries and dangerous condition on Port property; the terms of the proposed settlement include Port's payment of \$40,000 and plaintiff's dismissal of litigation and full and final release of claims.

- (2) CONFERENCE WITH LEGAL COUNSEL AND REAL PROPERTY NEGOTIATOR. – This is specifically authorized under California Government Code Section 54956.8. **This session is closed to any non-City/Port representative.\***

- a. Property: AB 4052; 4111, lots 3 and 4; also known as Pier 70 Waterfront Site, located near the intersection of 22<sup>nd</sup> Street and Illinois  
Person Negotiating: Byron Rhett, Deputy Director, Planning and Development  
\*Negotiating Parties: Build Inc., Forest City Development California, Mission Bay Development Group, San Francisco Waterfront Partners, TMG Partners and the Sobrato Organization, and United States, Department of Veterans Affairs, San Francisco Medical Center

Under Negotiations: \_\_\_\_\_ Price \_\_\_\_\_ Terms of Payment ☒ Both  
The non-Port parties identified responded to a Request for Qualifications authorized by the Port Commission on May 11, 2010. In this executive session, Port staff intends to seek direction from the Port Commission on matters that may affect the competitive process now underway.

## 5. RECONVENE IN OPEN SESSION

- A. Possible report on actions taken in closed session pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.
- B. Vote in open session on whether to disclose any or all executive session discussions pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.

## 6. ANNOUNCEMENTS

- A. **Announcement of Prohibition of Sound Producing Devices During the Meeting**

Please be advised that the ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting.



Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic device.

**B. Announcement of Time Allotment For Public Comments**

Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

**7. EXECUTIVE**

**A. Executive Director's Report**

- Commendation for John Holt, Port Plumber, on his retirement
- Warm Water Cove Park garden spring clean-up and wildflower planting, SF Green Trust and Port of SF – January 22, 2011
- Grand Reopening of the Maritime Museum – February 3, 2011
- Fisherman's Wharf Merchants Association's 8<sup>th</sup> Annual Crab Feed Dinner & Silent Auction – February 10, 2011 @ Neptune's Restaurant
- In Memoriam – Nick Larocco, retired Senior Port Wharfinger

**8. CONSENT**

- A. Request authorization to advertise for competitive bids for the Roundhouse 2 HVAC Retrofit Project, construction Contract No. 2744. (Resolution No. 11-04)

**9. FINANCE AND ADMINISTRATION**

- A. Request approval of resolution authorizing the Port Executive Director to execute a Memorandum of Understanding (MOU) with the Controller of the City and County of San Francisco to reimburse the Port for revenue lost due to hosting the 34<sup>th</sup> America's Cup and for race related costs. (Resolution No. 11-05)
- B. Informational presentation on the Port's Proposed Biennial Operating Budget for Fiscal Years 2011/12 and 2012/13.
- C. Informational presentation on the Port's Proposed \$21.7 Million Capital Project Budget Funding for Fiscal Years 2011/12 and 2012/13.

**10. ENGINEERING**

- A. Request approval of the Executive Director's nomination of Gary Hoy, Sagiv Weiss-Ishai, Hanson Tom, Joy Navarrete and Brad Wilson to the Port Building Code Review Board. (Resolution No. 11-06)





## **11. REAL ESTATE**

- A. Request approval of Lease No. L-14887 with Sitting By, doing business as Hi Dive for an Eight Year Restaurant Lease for Premises Located at Pier 28½.  
(Resolution No. 11-07)

## **12. NEW BUSINESS**

## **13. PUBLIC COMMENT**

Public comment is permitted on any matter within Port jurisdiction and is not limited to agenda items. Public comment on non-agenda items may be raised during New Business/Public Comment. A member of the public has up to three minutes to make pertinent public comments before action is taken on any agenda item and during the new business/public comment period. It is strongly recommended that public comments be submitted in writing so they can be distributed to the Commissioners for their review. Please fill out a speaker card and hand it to the Commission Secretary. If you have any question regarding the agenda, please contact the Commission Secretary at 274-0406.

## **14. ADJOURNMENT**



## **FORWARD CALENDAR (Targeted Commission Meeting, Subject to Change)**

- Informational presentation on Response to Pier 70 Waterfront Site Request for Qualifications (February 22, 2011)
- Informational presentation regarding the annual update to the Port's 10-year Capital Plan for Fiscal Years 2012-21 (February 22, 2011)
- Request approval of the Port's Biennial Operating Budget for Fiscal Years 2011-12 and 2012-13 (February 22, 2011)
- Request approval of the Port's Proposed Biennial Capital Budget Funding for Fiscal Years 2011-12 and 2012-13 (February 22, 2011)
- Accept the Port of San Francisco Second Quarter Contracting Activity Report – Fiscal Year 2010/11 for the October 1, 2010 to December 31, 2010 Reporting Period (February 22, 2011)
- Request approval of amendment to Sidewalk, Airspace and Curbspace Encroachment Policy (06-48) to remove the Airspace Encroachment portion for those buildings on the south side of Jefferson Street between Powell and Hyde Streets (February 22, 2011)
- Request authorization to retroactively execute a contract modification to Contract No. 2738, the Pier 19 Roofing and Minor Dry Rot Repairs Project, with D.F.P.F. Corporation dba Fine Line Construction to extend the contract substantial completion date (February 22, 2011)
- Request authorization to retroactively execute a contract modification to Contract No. 2736, the Marine Structural Project II, with Cowhey Pacific Drilling, Inc. to extend the Contract substantial completion date (February 22, 2011)
- Informational presentation of the *Street Pole Banner Criteria*, which would govern the design, placement, and fees for the placement of street pole banners within the jurisdiction of the Port of San Francisco (March 8, 2011)
- Informational update on the Seawall Lot 337 development project (March 8, 2011)
- Request approval of the annual update to the Port's 10-year Capital Plan for Fiscal Years 2012-21 (March 8, 2011)
- Request approval of Lease L-14495 with Hornblower Yachts, Inc., a California Corporation, for a Term of Five Years with One Five-Year Renewal Option, for premises located at Pier 9 consisting of approximately 1,198 square feet of unimproved pier shed, 7,243 square feet of apron space and 24,470 square feet of submerged land (March 8, 2011)
- Request approval of the Port of San Francisco's Proposed 2010 Retail Leasing Policy (March 8, 2011)
- Request approval of First Amendment to Lease No. L-14829 with Dawson-Clinton General Contractors, a California Corporation, to change the Commencement Date and to Eliminate Bonding/Guarantee Requirements for Construction of Initial Tenant Improvements (March 8, 2011)
- Informational presentation on the Port's Maritime Preservation Policy (March 22, 2011)
- Request authorization to award Contract No. 2741, Marine Structural Projects III, which includes the Pier 35 Superstructure Repair, Pier 33 Marginal Wharf



Substructure Beam Repair, and the Pier 50 Valley Substructure Repair (March 22, 2011)

- Request approval to accept and expend 2007 Supplemental Federal Port Security Grant Program Funds (March 22, 2011)
- Request approval to designate an Authorized Agent to apply for and accept funds from the Robert T. Stafford Disaster Relief and Emergency Assistance Act of 1988 and under the California Disaster Assistance Act (March 22, 2011)
- Request approval of second amendment to Terminal Management Agreement Lease L-14583 (April 12, 2011)
- Request authorization to award Construction Contract No. 2732, Mission Bay Shoreline Protection for Bayfront Park Project (Date to be determined)
- Request approval of the Port's Interim Leasing Policy for Historic Structures (Date to be determined )

#### **COMMUNICATIONS TO THE PORT COMMISSION FROM JANUARY 7, 2011 TO FEBRUARY 3, 2011**

- From Dennis MacKenzie, regarding America's Cup
- From Harvard Kennedy School, regarding Women and Power: Leadership in a New World, an Executive Education program at Harvard University's John F. Kennedy School of Government
- From Port staff copy of a letter to John Super, regarding Pier 52 Public Boat Launch Ramp and parking lot
- From Port staff, Update on Cruise Ship Discharge Report Program





**FEBRUARY/MARCH 2011**  
**CALENDAR OF UPCOMING PORT MEETINGS – OPEN TO THE PUBLIC**

DATE	TIME	GROUP	LOCATION
February 22	2:00 p.m.	Closed Session/Port Commission	Port Commission Room
	3:15 p.m.	Open Session	@ Ferry Building
March 8	2:00 p.m.	Closed Session/Port Commission	Port Commission Room
	3:15 p.m.	Open Session	@ Ferry Building
March 22	2:00 p.m.	Closed Session/Port Commission	Port Commission Room
	3:15 p.m.	Open Session	@ Ferry Building

**NOTES:**

The San Francisco Port Commission meets regularly on the second and fourth Tuesday of the month at 3:15 p.m., unless otherwise noticed. The Commission Agenda and staff reports are posted on the Port's Website @ [www.sfport.com](http://www.sfport.com). Contact Amy Quesada at 274-0406. The Port Commission meetings can be viewed online at [http://sanfrancisco.granicus.com/ViewPublisher.php?view\\_id=92](http://sanfrancisco.granicus.com/ViewPublisher.php?view_id=92). The Port Commission meetings are also broadcasted on the 2nd & 4th Thursday of the month at 9 p.m. on Comcast Cable Channel 26 or Astound Cable Channel 78 (formerly RCN Cable).

The Fisherman's Wharf Waterfront Advisory Group (FWWAG) meets regularly on a bi-monthly basis, on the third Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Michael Nerney @ 274-0416 or [michael.nerney@sfport.com](mailto:michael.nerney@sfport.com)

Starting January 21, 2010, the Maritime Commerce Advisory Committee (MCAC) will meet every other month, on the third Thursday of the month, from 11:30 a.m. to 1:00 p.m. @ Pier 1. Contact Jim Maloney @ 274-0519 or [jim.maloney@sfport.com](mailto:jim.maloney@sfport.com)

The Mission Bay Citizens Advisory Committee meets on the 2nd Thursday of the month at 5:00 p.m. at 1700 Owens Street, 2nd Floor. Parking validation is available. Contact Catherine Reilly, San Francisco Redevelopment Agency, at [catherine.reilly@sfgov.org](mailto:catherine.reilly@sfgov.org).

The Northeast Waterfront Advisory Group (NEWAG) meets regularly on a bi-monthly basis on the first Wednesday of the month from 5:00 p.m. to 7:00 p.m. in the Bayside Conference Room @ Pier 1. Contact Jonathan Stern @ 274-0545 or [jonathan.stern@sfport.com](mailto:jonathan.stern@sfport.com)

The Central Waterfront Advisory Group (CWAG) meets monthly on an as-needed basis, generally on the third Wednesday of the month from 5 to 7 p.m. in the Bayside Conference Room at Pier 1. Contact Mark Paez @ 705-8674 or [mark.paez@sfport.com](mailto:mark.paez@sfport.com)

The Rincon Point-South Beach Citizens Advisory Committee meets on a quarterly basis (the FOURTH MONDAY OF JANUARY AND THIRD MONDAYS IN APRIL, JULY, and OCTOBER), starting at 5:00 p.m. at the South Beach Yacht Club (Pier 40 on The Embarcadero). Contact Catherine Reilly, Assistant Project Manager, Redevelopment Agency, @ 749-2516 or [Catherine.Reilly@REDEV/SFGOV@SFGOV](mailto:Catherine.Reilly@REDEV/SFGOV@SFGOV)

The Southern Waterfront Advisory Committee (SWAC) meets every last Wednesday of the month from 6:15 to 8:15 p.m. Location to be determined. Contact David Beaupre @ 274-0539 or [david.beaupre@sfport.com](mailto:david.beaupre@sfport.com)

The Waterfront Design Advisory Committee (WDAC) meets jointly with the Design Review Board of the Bay Conservation and Development Commission on the first Monday of the month at BCDC, 50 California Street, Rm. 2600, at 6:30 p.m. The Committee meets as needed on the fourth Monday of the month at 6:30 p.m. in the Bayside Conf. Rm. @ Pier 1. Contact Dan Hodapp @ 274-0625 or [dan.hodapp@sfport.com](mailto:dan.hodapp@sfport.com)



## **FERRY BUILDING:**

The Port Commission Hearing Room is located on the second floor of the Ferry Building. The main public entrance is from the west (Embarcadero) side and is served by a bank of elevators adjacent to the historic staircase. Accessible public restrooms are on the first floor at the northeast end of the building as well as on the second floor across the lobby from the Port Commission Hearing Room. The main path of travel to the Port Commission Hearing Room is equipped with remote infrared signage (Talking Signs). The Port Commission Hearing Room is wheelchair accessible. Accessible seating for persons with disabilities (including those using wheelchairs) is available. The closest accessible BART and MUNI Metro station is Embarcadero located at Market & Spear Streets. Accessible MUNI lines serving the Ferry Building area are the F-Line, 9, 31, 32 and 71. For more information about MUNI accessible services, call (415) 923-6142. The nearest accessible parking is provided in the following off-street pay lots:

- A) 3 spaces in the surface lot on the west side of the Embarcadero at Washington St.
- B) Hourly and valet parking in the Pier 3 lot. This lot is accessed through the Pier 3 bulkhead building entrance on the east side of the Embarcadero. This lot is located on the pier deck; adjacent to the ferry boat Santa Rosa.

Additional covered accessible off-street pay parking is available in the Golden Gateway Garage, which is bounded by Washington, Clay, Drumm and Battery Streets. Entrance is on Clay St. between Battery and Front Streets. There is no high-top van parking. Metered street parking is available on the Embarcadero, Washington, Folsom & Drumm Streets.

## **PIER 1:**

The Port's fully accessible offices are in the west end of Pier 1. There are two public entrances; the main entrance on the west (Embarcadero), and the Port History walk entrance on the south apron. Each of these entrances is provided with an automatically operated door. Both entrances lead to the Bayside conference rooms. Accessible public restrooms, drinking fountains, payphone and TTY are on the first floor near the main entrance. The public spaces of the Port's offices are equipped with remote infrared signage (Talking Signs) identifying all primary entrances, paths of travel, meeting rooms and amenities. Accessible seating areas and assistive listening devices will be available in the Bayside Conference rooms.





**Accessible meeting information policy:**

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

A sign language interpreter and alternative format copies of meeting agendas and other materials can be provided upon request made at least 72 hours in advance of any scheduled meeting. Contact Wendy Proctor, Port's ADA Coordinator, at 274-0592, the Port's TTY number is (415) 274-0587.

**Know Your Rights Under the Sunshine Ordinance:**

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Frank Darby by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102-4689; by phone at (415) 554-7724; by fax at (415) 554-7854 or by email at [sotf@sfgov.org](mailto:sotf@sfgov.org). Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Mr. Darby or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at <http://www.sfgov.org/sunshine>.

**NOTICES****Prohibition of Ringing of Sound Producing Devices:**

The ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic device.

**Lobbyist Registration and Reporting Requirements:**

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code Sections §2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: [www.sfgov.org/ethics](http://www.sfgov.org/ethics).



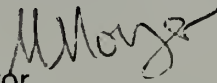




## MEMORANDUM

February 4, 2011

**TO:** MEMBERS, PORT COMMISSION  
Hon. Kimberly Brandon, President  
Hon. Ann Lazarus, Vice President  
Hon. Francis X. Crowley

**FROM:** Monique Moyer   
Executive Director

**SUBJECT:** Request authorization to advertise for competitive bids for the Round House 2 Heating, Ventilation and Air Conditioning Central Plant Retrofit Project, Contract No. 2744.

**DIRECTOR'S RECOMMENDATION:** Approve Attached Resolution

### Overview

Port staff request authorization to advertise for competitive bids for a construction contract to replace the Heating, Ventilation and Air Conditioning ("HVAC") Central Plant at the Round House 2, which is owned and leased by the Port. This proposed construction contract will be bid as the Round House 2 Heating, Ventilation and Air Conditioning Central Plant Retrofit Project, Contract No. 2744. The project scope includes the replacement of the existing HVAC central plant consisting of cooling tower, boiler, and pumps on the roof with a new skid mounted energy efficient unit; testing, adjusting and balancing the HVAC liquid thermal transfer distribution system and perform as-needed work to optimize the comfort of tenants.

### Background

Due to the age of the Round House 2 HVAC central system, significant space modifications and tenant complaints, Port staff initiated a Department of Public Works (DPW) review of the existing HVAC system. DPW prepared the assessment report, which contained analysis of the existing cooling tower, boiler, duplex pumps and water source heat pump distribution system.

The building known as Round House 2 is a four-story office building with an approximate area of 26,000 square feet and leased to 10 tenants. The existing

**This Print Covers Calendar Item No. 8a**



core mechanical system includes a closed circuit evaporative cooling tower, a boiler and duplex circulating pumps on the roof. It was originally designed to serve 30 tenant owned water source heat pump units in 3 buildings: Round House 1, Round House 2 and the Sand House. However, the heat pump units located in the Round House 1 and Sand House buildings were separated from this core system seven years ago.

After approximately twenty seven years of operation, plus the separation of the heat pump units located in the Round House and Sand House buildings, Port engineers have identified two major deficiencies in the core system: an operation deficiency and a design deficiency. The operation deficiencies include corrossions in major components such as cooling tower, boiler, pumps and fans, and equipment failure caused by mechanical and thermal stress. Design deficiencies include oversized cooling tower, oversized boiler, abnormal equipment cycling and inefficient energy usage.

### **Project Description**

At the Port's request, the DPW Bureau of Engineering has completed design drawings and specifications for the new Round House 2 HVAC central plant system on the roof.

Pursuant to the design scope, this project will demolish the existing HVAC central plant consisting of the cooling tower, boiler, and pumps on the roof and replacement with a new energy efficient skid mounted package HVAC central plant; test, adjust and balance the HVAC liquid thermal transfer distribution system; and perform as-needed repairing of ducts, registers, thermostat controls, and heat pumps to optimize the comfort of tenants.

The contractor shall obtain services of an HVAC control system sub-contractor to complete Round House 2 Building Energy Management System programming with new central plant equipment. The HVAC system will meet California Energy Commission Title 24 standard requirements.

### **Regulatory Approvals**

*San Francisco Human Rights Commission (HRC)* - The solicitation of bids will be advertised to reach contractors through the following methods:

- Human Rights Commission list of contractors
- Human Resources Outreach list of contractors
- Port Internet
- City and County of San Francisco purchasing internet
- Plan Rooms (Builders Exchange, Contractors Information Network, etc.) 18 total
- Newspapers (SF Examiner, SF Chronicle and Small Business Exchange)

In the solicitation of bids for this project, Port staff will follow San Francisco Administrative Code and the Human Rights Commission (HRC) bidding procedures and requirements. The Human Rights Commission has reviewed the project scope and recommends a 37% subcontracting goal for Local Business Enterprise (LBE) participation.



*Other Approvals* - This project has received all interdivisional approvals per Port Engineering Standard guidelines. Construction will incorporate asbestos and lead survey performed by ProTech Consulting and Engineering.

### **Funding**

The total estimated construction cost for this project is as follows:

Title	Amount
Engineer's Estimate	\$470,000
10% Project Contingency	\$47,000
Total	\$517,000

The estimated project cost is fully funded by the Port's Harbor Capital Funds – CPO761 Utilities Projects.

### **Schedule**

The project construction is scheduled to start in April, 2011 and the anticipated completion date is in July, 2011.

The following is the anticipated project schedule:

Commission Approval to Advertise	February 8, 2011
Advertise for Bid	February 22, 2011
Bids Due	March 15, 2011
Award of Contract	April, 2011
Notice to Proceed	April, 2011
Final Completion	July, 2011

### **Summary**

Port staff are prepared to seek competitive bids for this project. Therefore, Port staff request Port Commission authorization to advertise for competitive bids for the Round House 2 Heating, Ventilation and Air Conditioning Systems Central Plant Retrofit Project, Contract No. 2744.

Prepared by: David T. Hu, P.E.  
Mechanical Engineer

Mabal S. Bhat, P.E.  
Senior Electrical Engineer

For: Edward F. Byrne, S.E.  
Chief Harbor Engineer





**PORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO**

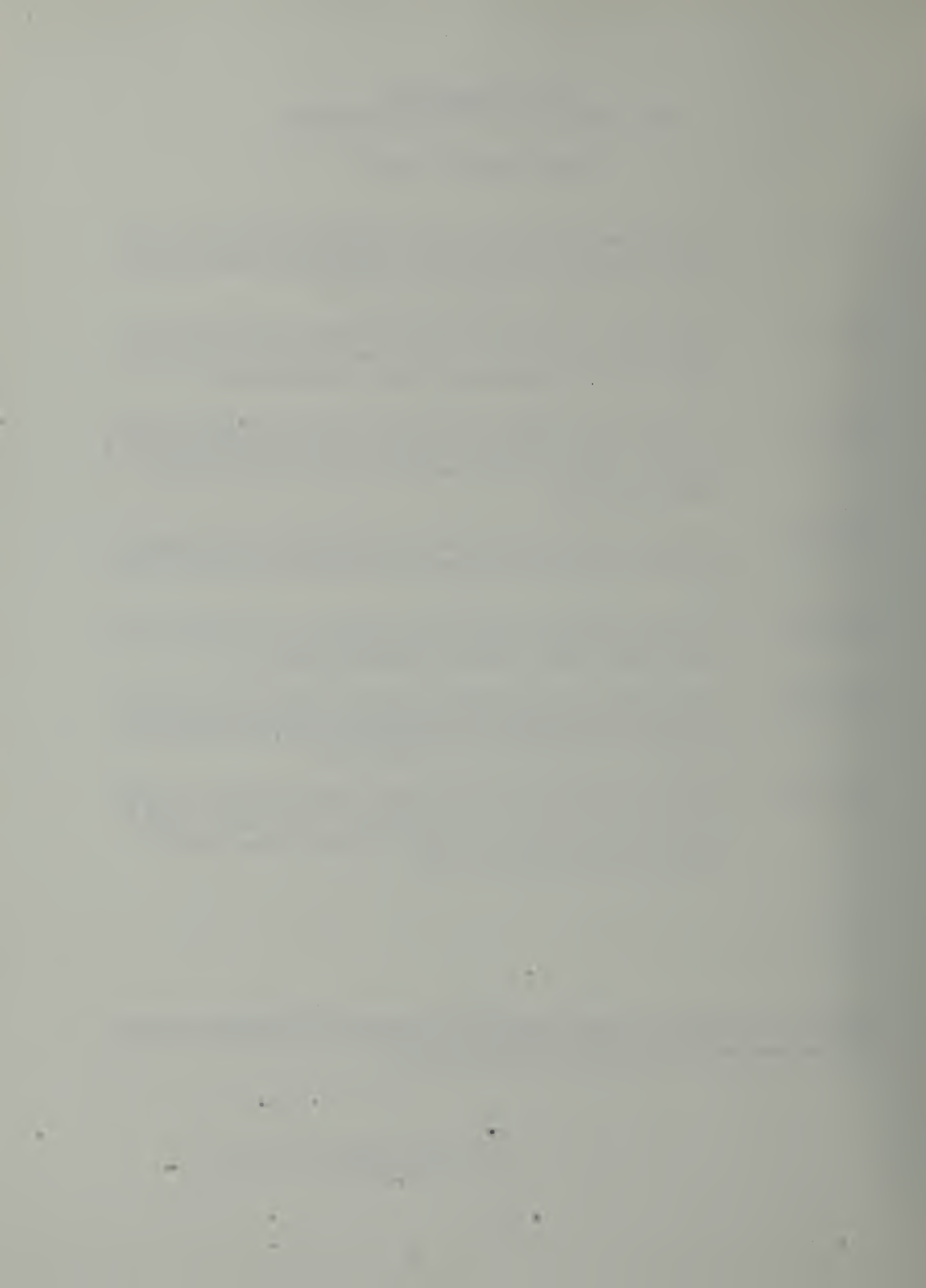
**RESOLUTION NO. 11-04**

- WHEREAS, Port staff seek authorization to solicit competitive bids for the Round House 2 Heating, Ventilation and Air Conditioning Systems Central Plant Retrofit Project, Contract No. 2744; and
- WHEREAS, the proposed construction contract will provide for demolition of the existing roof mounted HVAC central plant and replacement with an energy efficient central plant and related components; and
- WHEREAS, the Department of Public Works ("DPW") Bureau of Engineering has completed design drawings and specifications for the Round House 2 Heating, Ventilation and Air Conditioning Systems Central Plant Retrofit Project; and
- WHEREAS, the current engineering construction cost estimate for this project is \$470,000, with a 10% contingency of \$47,000 for a total of \$517,000; and
- WHEREAS, the project estimated cost and 10% contingency is fully funded by the Harbor Capital Funds – CPO 761 Utilities Projects; and
- WHEREAS, in the solicitation of bids for this project, Port staff will incorporate the 37% subcontracting goal for Local Business Enterprises (LBEs), as recommended by the HRC; now, therefore be it
- RESOLVED, that the San Francisco Port Commission hereby authorizes Port staff to advertise for and accept competitive bids for the Round House 2 Heating, Ventilation and Air Conditioning Systems Central Plant Retrofit Project, Contract No. 2744.

***I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of February 8, 2011.***

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Secretary





## MEMORANDUM

February 3, 2011

**TO:** MEMBERS, PORT COMMISSION  
Hon. Kimberly Brandon, President  
Hon. Ann Lazarus, Vice President  
Hon. Francis X. Crowley

**FROM:** Monique Moyer  
Executive Director

**SUBJECT:** Request approval of resolution authorizing the Port Executive Director to execute a Memorandum of Understanding (MOU) with the Controller of the City and County of San Francisco to reimburse the Port for revenue lost due to hosting the 34<sup>th</sup> America's Cup and for race related costs

**DIRECTOR'S RECOMMENDATION:** Approve the Attached Resolution

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### Background

On December 31, 2010, San Francisco was selected by the America's Cup Event Authority to host the 34<sup>th</sup> America's Cup Final Match in 2013 (Event) under the terms set forth in the Host City and Venue Agreement (HVA). The HVA sets forth the rights and obligations of the City, including the Port, and the America's Cup Event Authority, LLC (Event Authority), subject to the City's approval of the America's Cup project following completion of environmental review under the California Environmental Quality Act (CEQA). The proposed Memorandum of Understanding (MOU) between the Port and the City Controller provides mechanisms by which the City will reimburse the Port for lost rent revenues and other Event-related costs, should the project be approved.

The Event features several weeks of sailing races and a multi-year build up to the Event that promises significant economic benefit to the region, estimated at \$1.4 billion, including at least \$19.5 million in additional tax revenue to the City and over 9,000 jobs. Since the economic benefits of hosting the Event will not be confined to the Port, but will accrue to the City as a whole, and in light of projected costs to the Port of meeting the requirements of the Event, the Mayor's Office proposed and the Board of Supervisors approved, in principle, that the City use the General Fund and America's Cup Organizing Committee (ACOC) fundraising to reimburse the Port for revenues lost as a result of the Event, to reduce the projected shortfall in the first phase of the cruise terminal project, and to fund the Port's other project costs. The proposed MOU memorializes this agreement.

**This Print Covers Calendar Item No. 9A**



## Port's Obligations for the Event

The City's selection as host city for the Event will change the direction and course of the Port's longer term operations and capital program, should the project be approved.<sup>1</sup> Under the HVA, Piers 19, 23, 27-29, 26, 28, and 30-32 and Seawall Lot 330 are proposed as venues for Event-related activities, and the Event Authority will complete any needed substructure, infrastructure, and superstructure repairs and improvements to Piers 30-32 and other Port property with the Port's consent. If the Event Authority's expenditures meet or exceed \$55 million, the Event Authority will have the right to a 66-year lease for Piers 30-32 and fee title to Seawall Lot 330. The Event Authority also has the option to perform additional work on Pier 26 and Pier 28 with the Port's consent to obtain long term leasing rights to those piers.

The Port facilities selected as venues for the Event would be delivered to the Event Authority rent-free. Port staff estimates that the gross rent which would have otherwise been received from current tenants located in the America's Cup venue sites totals \$9.0 million over the three fiscal years the Event Authority is planned to occupy the venue sites. Estimates of preserved rent from relocation and increases in percentage rents from remaining tenants result in a net revenue loss to the Port totaling \$6.7 million over the three years. These estimates assume 15 percent of displaced tenants will relocate to other Port facilities, based on the amount and type of space occupied by impacted tenants as compared to current vacancies, as well as historical relocation efforts at the Ferry Building<sup>2</sup>. Such a reduction, without any source or reimbursement for lost revenues, would make very difficult the Port's ability to issue any new debt in the next five years.

The Port's current construction schedules for the Brannan Street Wharf and the Pier 27 cruise ship terminal are planned to be adjusted so that the Brannan Street Wharf and the shell and core of the new cruise terminal building could be used for the Event. The Pier 27 cruise terminal project is planned for \$15 million of new debt in FY 2011/12. As reported previously on December 14, 2010 during the Commission consideration of design options for the Cruise Terminal Project, based on conceptual design and analysis of the Cruise Terminal Project there is a shortfall of \$21.5 million<sup>3</sup> (between \$6.7 million and \$14 million to core and shell depending on the timing of the plaza improvements). The America's Cup HVA proposes the Cruise Terminal Project as one focal point of the facilities to be delivered in conjunction with the America's Cup events, which presents scheduling considerations as well as potential revenue opportunities not previously analyzed under the Cruise Terminal Project proposal. Port staff is working with DPW, the Controller's office and other City agencies to understand the project financing plan in the context of the HVA. As noted in the BOS resolution approving the HVA (Resolution No. 585-10), the proposed MOU represents one avenue to address a portion of the Cruise Terminal Project shortfall, though it should be noted that even if this MOU is adopted in its current form,

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<sup>1</sup> For planning purposes, this memorandum and the proposed MOU discuss the Port's and the City's obligations under the HVA should the project be approved following completion of CEQA analysis.

<sup>2</sup> If more tenants choose to remain at the Port and are relocated, the Port's revenues will be adjusted as will payment to the Port from the Controller.

<sup>3</sup> This estimated shortfall takes into account \$6.5 million from City sources that the Harbor Fund will not be obligated to repay.





additional efforts will be required to identify additional funds and/or refine the proposed project design to identify cost savings to fully eliminate the projected shortfall.

In addition to the lost revenues and capital project requirements discussed above, the Port estimates incurring incremental costs due to the 34<sup>th</sup> America's Cup of \$1.1 million for new temporary staffing positions and \$1.5 million for tenant relocation, settlement, and litigation expenses between FY 2011/12 and FY 2013/14.

Up to \$9 million in lost rental revenues and an estimated \$1.1 million in Event-related costs, contingent on funding availability, would be reimbursed under the MOU, if approved.

### **Issued Debt and Future Capacity**

In February 2010, the Port issued \$36.7 million in Revenue Bonds in two series - a non-AMT tax-exempt series (Series 2010A) and a taxable series (Series 2010B). The capital projects receiving funding from these bond proceeds include the Pier 27 cruise terminal project, Pier 90-96 backlands, design work for Piers 19-23, Piers 33 and 35, Pier 19 roof replacements, and the Pier 50 valley. When the bonds were sold, the Port prepared five year projections of its net revenues and debt service, which included the assumption that the Port would be issuing approximately \$59.5 million in additional debt within that five year period (2010-2015). These projections were based on (1) \$10 million in net annual revenues, (2) an assumption that all future debt would be tax-exempt and (3) the addition of new revenue sources. However, the Port's project needs require funding by taxable debt which is more expensive thereby reducing future capacity accordingly. The 2010 assumption also included projected new revenues from completion of Piers 90-96, Pier 27 cruise terminal, Piers 19-23, and Pier 33 based on completion dates that are not now possible given the changes in the Port's priorities.

Based on lower actual net revenues in 2010, consideration of taxable debt, and revised project completion schedules, the Port can issue approximately \$40 million of debt over the next five years. In 2010, three credit ratings agencies indicated that their ratings (Moody's: "A1", S&P: "A" and Fitch: "A") were based on the expectation that the Port would maintain a debt service coverage ratio of 2.0 times. The planned uses for the \$40 million of new debt include the Pier 27 cruise terminal project, Piers 19-23, Wharf J9 and Pier 48. These projects benefit the local economy and generate income for the Port to invest in ongoing capital projects to partially address the over \$1.0 billion of identified need for renewal and repair of existing facilities and deferred maintenance. The proposed MOU would maintain the Port's bonding capacity from FY 2011/12 through FY 2013/14 for these important projects.

Notably, the proposed multi-year MOU is authorized under Charter Section B7.320, approved as part of Proposition D in 2009, which makes the City's repayment requirement function as a budgetary set aside. "Payments in Lieu of Rent" are not intended to reimburse the Port for any rent lost after the 34<sup>th</sup> America's Cup events are completed (such as those rents lost from the Port facilities which are included in the long term development rights provided to the Event Authority). These legacy leases will result in ongoing Port lease revenue reductions beginning in FY 2014/15 of between \$1.38 million and \$2.37 million which will reduce debt capacity between \$20 and \$34.3 million. Port



staff will deploy several strategies to rebuild this debt capacity including reducing operating expenses, programming existing capacity to the most economically viable projects and delivering these projects timely, and seeking other public investments for public serving waterfront projects.

### **Payment In-Lieu of Rent: Description of the Reimbursement Process**

The reimbursement process described in the proposed MOU would provide the Port with a “Payment in Lieu of Rent”<sup>4</sup> which is intended to neutralize any potential effect of the 34<sup>th</sup> America’s Cup on the Port’s rental revenues. In order to accurately calculate the appropriate “Payment in Lieu of Rent”, the following calculation process is included in the MOU.

“Lost Gross Rent from Venue Sites” is the rent the Port projects it would have received from the venue sites under existing leases and licenses for the equivalent period the Port will be affected by the 34<sup>th</sup> America’s Cup under the HCA.

The “Payment in Lieu of Rent” is equal to the “Lost Gross Rent from Venue Sites”, reduced by a number of adjustments.

#### Adjustments

In order to determine the “Payment in Lieu of Rent”, the “Lost Gross Rent from Venue Sites” is then reduced to account for the following three factors:

- 1) “Residual Rent from Venue Sites”. Residual rent is the amount that the Port will continue to receive from the facilities where the footprint of the proposed Event venues has been reduced.
- 2) “Rent from Venue Site Relocated Tenants”. Should any tenants now occupying proposed venue sites relocate to other Port property, their rent would no longer be “lost”.
- 3) “Percentage Rents from Non-Venue Sites”. The 34<sup>th</sup> America’s Cup is projected to bring millions of visitors to the Bay Area not simply to watch the races, but to dine, shop, and park at various locations, including Port tenants located outside the venue sites. Increased retail and parking sales would result in increased percentage rents to the Port. Therefore, the Port’s reimbursement is reduced by the growth in percentage rents received Port-wide in excess of a 3% increase<sup>5</sup>.

Under the MOU, such “Payments in Lieu of Rent” would be calculated quarterly by the City Controller, based on reports provided by the Port.

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<sup>4</sup> Terms in quotations indicate terms defined in the MOU.

<sup>5</sup> The calculation of “Percentage Rents from Non-Venue Sites” is described in the MOU as the “Race-Induced Percentage Rent Increase From Non-Venue Sites” (actual percentage rents received during a fiscal quarter which includes an America’s Cup race), less the “Inflation Adjusted Prior Year’s Quarterly Percentage Rent From Non-Venue Sites” (actual percentage rents received the same quarter during the prior fiscal year, increased by 3%).





Port staff estimates that the Payments in Lieu of Rent would total \$6.7 million over three fiscal years. The estimates assume that 15% of tenants (based on dollars) will be relocated from the venue sites to other Port facilities. This assumption is based on the type and amount of space currently used by tenants in venue sites as compared to current Port vacancies, as well as historical experience with relocating tenants for projects such as the Ferry Building.

**Table 2: Estimated Payment In-Lieu of Rent**

	<b>FY 11/12</b>	<b>FY 12/13</b>	<b>FY 13/14</b>	<b>Total</b>
"Lost Gross Rent from Venue Sites"	2,667,132	3,617,394	2,726,611	<b>9,011,137</b>
- "Rent from Venue Site Relocated Tenants"	483,372	628,136	473,458	<b>1,584,966</b>
- "Percentage Rents from Non-Venue Sites"	-	-	710,158	<b>710,158</b>
<b>= "Payment In-Lieu of Rent"</b>	<b>2,183,760</b>	<b>2,989,258</b>	<b>1,542,995</b>	<b>6,716,013</b>

### **Other Port Costs**

In addition to the lost revenues discussed above, the Port estimates incurring incremental costs due to the 34<sup>th</sup> America's Cup of \$1.1 million for new temporary staffing positions and \$1.5 million for tenant relocation, settlement, and litigation expenses between FY 2011/12 and FY 2013/14. The proposed MOU provides that these costs are anticipated to be paid by private funds raised by the America's Cup Organizing Committee (ACOC) to the extent such funds are available. The ACOC has pledged to raise \$32 million to offset City expenses, \$12 million by the end of FY 2011/12, and \$10 million in FY 2012/14 and in FY 2013/14.

For the Pier 27 cruise terminal project, the City would contribute capital funding that the Port would not be obligated to repay to finance a portion of the projected shortfall on the first phase of construction to build the core and shell of the new building. The current estimate of the City's contribution is \$6.5 million. This contribution would leave a remaining project shortfall to core and shell of between \$6.7 million and \$14 million depending on the phasing of the plaza improvements. The Port is in discussion with the City to develop a solution to this funding gap.

### **Relationship to CEQA Review**

The HVA is subject to completion of environmental review of the Event under CEQA, including a full range of appropriate alternatives and mitigation measures for the Event in its entirety under CEQA. Since the Event Authority's designation of the City as host for the Event on December 31, 2010, City and Port staff have been meeting with Event Authority representatives to initiate the CEQA review process.

The HVA may be subject to further changes in the course of public review of the Event during the extensive approval processes that will follow CEQA review and in response to other City, Port, and public concerns that may arise, and is limited to the uses currently





proposed by the Event Authority, and does not cover all potential uses for the Venues, which the Port may consider in the course of the approval processes. The HVA may be amended to reflect any subsequent proposal to change the uses, the mix of uses, the intensity of development, or other fundamental terms, subject to Port Commission review and additional CEQA review, if the changes have not already been analyzed. The HVA is not intended to be, and will not become, contractually binding until CEQA review is complete. While the MOU implements certain obligations of the City and the Port in planning for the Event, should it be approved, approval of the MOU does not approve or finalize all of the material terms and conditions of the project.

### **Staff Recommendation**

Port staff recommends that the Commission authorize the Executive Director to execute the subject MOU and urge the Board of Supervisors to approve the resolution (File nò. 10-1564) approving the proposed MOU.

Prepared By: Elaine Forbes, Deputy Director  
Finance and Administration



**PORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 11-05**

- WHEREAS, Charter Section B3.581 provides the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control the Port area of San Francisco; and
- WHEREAS, Under Charter Section 3.105B, the Controller is responsible for the timely accounting, disbursement, or other disposition of monies of the City in accordance with sound financial practices applicable to municipalities and counties; and
- WHEREAS, On December 31, 2010, San Francisco was selected by the America's Cup Event Authority to host the 34<sup>th</sup> America's Cup in 2013, under the terms set forth in the Host and Venue Agreement previously approved by the Port Commission (Resolution 10-73) and the Board of Supervisors; and
- WHEREAS, Hosting the 34<sup>th</sup> America's Cup is anticipated to generate significant economic benefits, including an estimated \$1.4 billion of new spending and over 9,000 jobs, and at least \$19.5 million in additional tax revenue to the City; and
- WHEREAS, The benefits of hosting the 34<sup>th</sup> America's Cup are anticipated to accrue to the City's General Fund and to the broader regional economy, while the Port estimates incurring a net loss due to the 34<sup>th</sup> America's Cup resulting from (i) a net, short-term rent reduction of \$6.7 million resulting from the Port's obligation under the Host and Venue Agreement to provide the specified Port facilities to the Event Authority rent-free, and (ii) incremental race-related costs of \$2.6 million; and
- WHEREAS, The City Controller and the Port Commission have agreed to the terms of the proposed Memorandum of Understanding (MOU) between the Port and the City Controller, which requires the City Controller to transfer funds to the Port Commission, as permitted under San Francisco Charter Section B7.320, in order to offset the Port's net, short-term rent loss and race-related costs; and
- WHEREAS, Under the terms of the proposed MOU, the source of such payments to the Port could include (i) the City's General Fund, or (ii) to the extent such funds are available, private funds raised by the America's Cup Organizing Committee, a non-profit corporation, which anticipates providing \$32 million to help offset the City's costs of hosting the 34<sup>th</sup> America's Cup; now therefore, be it



RESOLVED, That the City will conduct environmental review of the 34<sup>th</sup> America's Cup Event under the California Environmental Quality Act ("CEQA") and nothing in this resolution implements any approvals or facilities for the 34<sup>th</sup> America's Cup Event, or grants any entitlements to the Event Authority, nor does adoption of this resolution foreclose the possibility of considering alternatives to the proposal, mitigation measures or deciding not to grant entitlement or approve or implement any actions to construct necessary amenities for the 34<sup>th</sup> America's Cup Event after conducting appropriate environmental review under CEQA; and be it further

RESOLVED, That the Port Commission hereby: (1) authorizes the Executive Director to enter into the MOU with the Controller of San Francisco on terms consistent with the proposed MOU accompanying this Resolution (including any additions or modifications thereto that the Executive Director of the Port, in consultation with the City Attorney, determines are in the best interests of the Port and are necessary or advisable to implement the MOU and do not materially increase the obligations or liabilities of the Port, will not have any material adverse fiscal impact on the Port or materially diminish the rights of or benefits to the Port and are necessary or advisable to implement the MOU and effectuate the purposes and intent of this Resolution, such determination to be conclusively evidenced by the Executive Director's execution and delivery of the MOU); and (2) confirms and ratifies all prior actions taken by any officials, employees and agents of the Port Commission with respect to implementing the MOU.

***I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of February 8, 2011.***

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Secretary







## MEMORANDUM

February 4, 2011

**TO:** MEMBERS, PORT COMMISSION  
Hon. Kimberly Brandon, President  
Hon. Ann Lazarus, Vice President  
Hon. Francis X. Crowley

**FROM:** Monique Moyer *M Moyer*  
Executive Director

**SUBJECT:** Proposed Biennial Operating Budget for Fiscal Years 2011/12 and 2012/13

**DIRECTOR'S RECOMMENDATION:** Informational Only – No Action Required

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### Overview

The purpose of this item is to provide an overview of the Port's proposed biennial operating budget to allow Port Commission and public feedback. Attached is the FY 2011/12 and 2012/2013 biennial operating budget that Port staff is proposing. The Port Commission is scheduled to approve this budget at its February 22, 2011 meeting. Following Port Commission approval, the budget will be reviewed by Mayor Edwin Lee's Budget Office, which will submit the budget to the Board of Supervisors by the first of May 2011. The Board will hold a hearing in May and give final consideration to the budget on or about July 31, 2011.

Of significant note, the proposed FY 2011/12 and 2012/13 budgets include projections based on the Port's projected impacts from the hosting of the 34<sup>th</sup> America's Cup ("Event"). Notably, the 34<sup>th</sup> America's Cup Host and Venue Agreement ("HVC") is subject to completion of environmental review of the Event under the California Environmental Quality Act ("CEQA"), including a full range of appropriate alternatives and mitigation measures for the Event in its entirety under CEQA. Since the Event Authority's designation of the City as host for the Event on December 31, 2010, City and Port staff have been meeting with Event Authority representatives to initiate the CEQA review process.

The HVA may be subject to further changes in the course of public review of the Event during the extensive approval processes that will follow CEQA review and in response to other City, Port, and public concerns that may arise, and is limited to the uses currently

**This Print Covers Calendar Item No. 9B**



proposed by the Event Authority, and does not cover all potential uses for the Venues, which the Port may consider in the course of the approval processes. The HVA may be amended to reflect any subsequent proposal to change the uses, the mix of uses, the intensity of development, or other fundamental terms, subject to Port Commission review and additional CEQA review, if the changes have not already been analyzed. The HVA is not intended to be, and will not become, contractually binding until CEQA review is complete. However, for purposes of the proposed budgets, Port staff has made assumptions to revenues and expenses in accordance with the language contained in the HVA.

The proposed FY 2011/12 and 2012/13 biennial operating budget is summarized below.

	<u>Budget</u>	<u>Budget</u>	<u>Increase / (Decrease)</u>		<u>Budget</u>	<u>Increase / (Decrease)</u>	
	<u>2010/11</u>	<u>2011/12</u>	<u>Amount</u>	<u>Percent</u>	<u>2012/13</u>	<u>Amount</u>	<u>Percent</u>
<b><u>Sources</u></b>							
Estimated Fund Balance	\$19,194,235	\$18,159,605	(\$1,034,630)	(5.4%)	\$18,000,000	(\$159,605)	(0.9%)
Revenue	66,887,300	69,052,727	2,165,427	3.2%	69,505,368	452,641	0.7%
Funds from Defunding Capital Projects	0	2,180,000	2,180,000	n/a	0	(2,180,000)	(100.0%)
Environmental Payment from Transbay Cable	0	550,000	550,000	n/a	550,000	0	0.0%
<b>Total Sources</b>	<b>\$86,081,535</b>	<b>\$89,942,332</b>	<b>\$3,860,797</b>	<b>4.5%</b>	<b>\$88,055,368</b>	<b>(\$1,886,964)</b>	<b>(2.1%)</b>
<b><u>Uses</u></b>							
Operating Expense	\$61,302,686	63,225,937	1,923,251	3.1%	65,984,417	2,758,480	4.4%
Capital Appropriations	10,699,000	13,109,900	2,410,900	22.5%	8,550,000	(4,559,900)	(34.8)
Annual Projects	4,718,746	3,601,830	(1,116,916)	(23.7%)	3,783,388	181,558	5.0%
Operating Reserve	9,361,103	10,004,665	643,362	6.9%	9,737,563	(267,102)	(-2.7%)
<b>Total Uses</b>	<b>\$86,081,535</b>	<b>\$89,942,332</b>	<b>\$3,860,797</b>	<b>4.5%</b>	<b>\$88,055,368</b>	<b>(\$1,886,964)</b>	<b>(2.1%)</b>
Operating Reserve as a % of Operating Expense	15%	16%			15%		

The table above identifies all of the Port's revenue sources including Estimated Fund Balance that the Port uses to fund capital projects and the budgeted operating reserve. Port staff project operating revenues to increase by 3.2 percent or \$2.2 million in the first year of the biennial budget and increase 0.7 percent or \$0.5 million in the second year. These projections are based on the current economic climate and the proposed MOU between the Controller's Office and the Port Commission for payments in lieu of rent (see Item No. 9A on this calendar).

Operating expenses, including annual projects, are projected to increase a modest \$0.8 million or 1.2 percent in the first year of the biennial budget and by \$2.9 million or 4.4 percent in the second year. Additionally, staff proposes to increase the Port's operating reserve by \$0.6 million in FY 2011/12 and then allow it to decline by \$0.27 million in FY 2012/13. The operating reserve will be at 16 percent and 15 percent of operating expenses in FYs 2011/12 and 2012/13, respectively, adhering to the Port Commission's





operating reserve policy<sup>1</sup> of maintaining operating reserves at 15 percent of operating expenses. The Estimated Fund Balance is projected to decline by approximately \$1.0 million in the first year of the biennial budget and \$0.16 million in the second year. Each of the primary changes to the Port's Fiscal Years 2011/12 and 2012/13 biennial budget is described in more detail below.

## Revenue

The proposed revenue budget of \$69,052,727 for FY 2011/12 reflects a \$2.2 million increase or 3.2 percent more than the current year budget. The proposed revenue for FY 2012/13 is \$69,505,368 which represents a 0.7 percent increase over FY 2011/12 budget. Projected revenues are as follows:

	<u>Budget</u> <u>2010/11</u>	<u>Budget</u> <u>2011/12</u>	<u>Increase / (Decrease)</u>		<u>Budget</u> <u>2012/13</u>	<u>Increase / (Decrease)</u>	
			<u>Amount</u>	<u>Percent</u>		<u>Amount</u>	<u>Percent</u>
Cargo	\$4,495,000	\$4,610,000	\$115,000	3%	\$4,726,000	\$116,000	3%
Ship Repair	974,000	975,000	1,000	0%	980,000	\$5,000	1%
Harbor Services	1,328,000	2,070,000	742,000	56%	2,120,000	50,000	2%
Cruise	1,610,000	2,225,000	615,000	38%	2,235,000	10,000	0%
Fishing	1,932,000	2,067,000	135,000	7%	2,095,000	28,000	1%
Other Marine	1,665,000	1,414,000	(251,000)	(15%)	1,422,000	8,000	1%
Commercial/Industrial	40,614,000	40,075,427	(538,573)	(1%)	40,836,568	761,141	2%
Parking	12,264,000	13,556,000	1,292,000	11%	13,016,000	(540,000)	(4%)
Special Events	100,000	134,000	34,000	34%	135,000	1,000	1%
Miscellaneous Services	105,000	137,000	32,000	30%	138,000	1,000	1%
Facility Damage	6,000	6,000	0	0%	6,000	0	0%
Permits	366,000	500,000	134,000	37%	500,000	0	0%
Miscellaneous Repairs	30,000	30,000	0	0%	30,000	0	0%
Negotiation Fees	250,000	250,000	0	0%	100,000	(150,000)	-60%
Interest on Investments	795,000	650,000	(145,000)	(18%)	812,500	162,500	25%
Penalties & Svc. Charges	19,300	19,300	0	0%	19,300	0	0%
Miscellaneous Receipts	<u>334,000</u>	<u>334,000</u>	<u>0</u>	<u>0%</u>	<u>334,000</u>	<u>0</u>	<u>0%</u>
Total Revenues	<u>\$66,887,300</u>	<u>\$69,052,727</u>	<u>\$2,165,427</u>	<u>3.2%</u>	<u>\$69,505,368</u>	<u>\$452,641</u>	<u>1%</u>

The changes in revenue budgets are outlined below:

- Cargo revenues are projected to increase 2.5 percent annually for the next two fiscal years. The increases reflect the likely retention of our current lay-berth vessels: the Tripoli and Matsonia. This is offset by a reduction in wharfage based on actuals from Piers 92 and 94. Overall, projections assume volume remains stable due to an anticipated slow economic recovery impacting cargo volumes late into FY 2011/12.

<sup>1</sup> In February 2008, the Port Commission adopted Resolution 08-12 requiring annual budgeted operating reserves to equal 15% of annual budgeted operating expenses.





- Ship Repair revenues are projected to be flat based on the lease's minimum annual rent obligation. No percentage rent was budgeted as 100% of it will be credited back for the capital improvements to the drydock.
- Harbor Services revenues are projected to increase 56% in FY 2011/12 from the current year because of the new lease agreement with the SF Bar Pilots effective January 2011, rent credits for apron repairs scheduled to expire in February 2011, as well as .5% general CPI increase for all other accounts. FY 2012/13 projections include a 1 percent CPI.
- Cruise revenues are projected to increase \$115,000 based on more cruise call bookings for the 2011 and 2012 cruise season, 47 and 42 calls respectively. The FY 2012/13 projections are flat from FY 2011/12 since revenues should hold constant during the use of Pier 27 for the America's Cup event. Shoreside Power electricity reimbursement is budgeted for the first time at \$500,000 for approximately 24 vessels, but with offsetting expenses in the work-order budget with the SFPUC.
- Fishing revenue growth in both years, \$135,000 in FY 2011/12 and \$28,000 in FY 2012/13, result from adjustments in dockage and fishing industry rent.
- Other Marine revenues are expected to decrease in FY 2011/12 by \$251,000 or 15% based on lower layberth activity and a reduction in rent mainly due to the Pier 38 Recreation Center which is the subject of an unlawful detainer action and as a result, the budget assumes no continued rent for FY 2011/12 and FY 2012/13.
- Commercial/Industrial rent is expected to decrease by \$539,000 or 1% in FY 2011/12. This modest reduction includes a \$4.2 million or 15% decrease in base rents, offset by proposed payments in lieu of rent of \$2.1 million, and a \$1.6 million increase in percentage rents. Base rents are projected to decline primarily due to the loss of Port facility rental revenues due to the 34<sup>th</sup> America's Cup, anticipated vacancies from large tenants, and the proposed development project on Pier 27. Rent from percentage leases will increase \$1.6 million assuming percentage rents continue at the same pace as experienced over the past 12 months. FY 2011/12 reflects a projected 1% CPI increase in most leases.
- Parking revenue is projected to increase by \$1,292,000 or 11% in FY 2011-12 primarily due to continuing revenue increases from parking meters resulting from the implementation of parking payment stations which accept credit cards, as well as increased parking lot revenues due to replacing selected parking operators. In FY 2012/13, parking revenue is projected to decline \$540,000, due primarily to the 34<sup>th</sup> America's Cup proposed venue leases.
- Building Permit revenues are expected to increase \$134,000 or by 37% in FY 2011/12 and remain the same in FY 2012/13 due to an anticipated increase in tenant construction activity.



- Negotiation fees are expected to remain stable in FY 2011/12 and then decline by 60% in FY 2012/13 as a result of lull in new development projects.
- The budget for interest on investments was reduced by \$145,000 for FY 2011/12 as compared to the prior fiscal year. The budget was then increased by \$162,500 or 25% in FY 2012/13. The budgets are based on the Port's Finance Division's latest forecast of interest income which incorporates actual interest earnings for the first half of FY 2010/11.

The decline in budget interest earnings for FY 2011/12 is a consequence of the prolonged current economic recession. Interest rates on the Port's investments during the current fiscal year have average 0.5% less than previously estimated. The FY 2011/12 budget assumes an average annual investment rate of 1.0% on the Port operating fund balances, consistent with current yields. The FY 2012/13 budget assumes a slight improvement in investment rates to 1.25%.

## Expense

Operating expenses, including annual projects, in FY 2011/12 total \$66.8 million. This represents an increase of \$806,335 or 1.2 percent over the prior fiscal year's budget. In the second year of this biennial budget, FY 2012/13, operating expenses are budget to increase an additional \$2.9 million or 4.4% to \$69.8 million. The expense summary for Fiscal Years 2011/12 and 2012/13 is as follows:

	<u>Budget</u> <u>2010/11</u>	<u>Budget</u> <u>2011/12</u>	<u>Increase / (Decrease)</u>		<u>Budget</u> <u>2012/13</u>	<u>Increase / (Decrease)</u>	
			<u>Amount</u>	<u>Percent</u>		<u>Amount</u>	<u>Percent</u>
Salaries & Benefits	\$28,828,163	\$30,836,511	\$2,008,348	6.97%	\$32,950,439	\$2,113,928	6.9%
City-wide Overhead	100,191	100,191	0	0.0%	100,191	0	0.0%
Other Current Expenses	9,906,791	9,910,573	\$3,782	0.0%	9,742,011	(168,562)	(1.7%)
Materials & Supplies	1,476,510	1,347,468	(129,042)	(8.7%)	1,329,740	(17,728)	(1.3%)
Fixed Charges	626,030	635,980	9,950	1.6%	635,030	(950)	(0.1%)
Capital Outlay (Equipment)	504,955	713,900	208,945	41.4%	664,384	(49,516)	(6.9%)
Annual Projects	4,718,746	3,601,830	(1,116,916)	(23.7%)	3,783,388	181,558	5.0%
Debt Service	3,075,050	3,850,937	775,887	25.2%	4,672,445	821,508	21.3%
<i>Services of Other Departments</i>							
ADM - Insurance & Risk	2,127,000	2,168,000	41,000	1.9%	2,168,000	0	0.0%
City Attorney	2,759,022	2,759,022	0	0.0%	2,759,022	0	0.0%
Fire Protection Services	3,215,386	3,215,386	0	0.0%	3,215,386	0	0.0%
DHR – Workers Comp	1,052,847	1,065,319	12,472	1.2%	1,065,319	0	0.0%
PUC- Light, Heat & Power	1,844,526	2,023,000	178,474	9.7%	2,075,000	52,000	2.6%
All Other Departments	<u>5,469,227</u>	<u>4,219,650</u>	<u>(1,249,577)</u>	<u>(22.8%)</u>	<u>4,227,450</u>	<u>7,800</u>	<u>0.2%</u>
<i>Subtotal</i>	<i>16,468,008</i>	<i>15,450,377</i>	<i>(1,017,631)</i>	<i>(6.2%)</i>	<i>15,510,177</i>	<i>59,800</i>	<i>0.4%</i>





Interdepartmental							
Recovery	(267,001)	(225,000)	42,001	(15.7)%	(225,000)	0	0.0%
Revenue Transfer –							
MTA	<u>583,989</u>	<u>605,000</u>	<u>21,011</u>	3.6%	<u>605,000</u>	<u>0</u>	0.0%
Total Expenses	<u>\$66,021,432</u>	<u>\$66,827,767</u>	<u>\$806,335</u>	<u>1.2%</u>	<u>\$69,767,805</u>	<u>\$2,940,039</u>	<u>4.4%</u>

As described below, the major increases in the proposed FY 2011/12 budget over the current year are in salaries, mandatory fringe benefits, and debt service<sup>2</sup>, which are offset by decreases in facilities maintenance projects, services of other departments, rents and leases, and materials and supplies. The major increases in the proposed FY 2012/13 budget over FY 2011/12 are also in salaries, mandatory fringe benefits, and debt service, offset slightly by decreases in other current expenses.

- Salaries and mandatory fringe benefits are projected to increase in FY 2011/12 by a total of \$2M or 7 percent. Approximately \$1.2 million of this increase is fringe benefit costs. According to the Mayor Edwin Lee's Budget Instructions, departments are to assume that City retirement costs increase from 13.6 percent to 16.5 percent of total salary, and that health service, dependent coverage and dental benefits all increase 10 percent. This results in a fringe benefit rate of approximately 41 percent of salary costs. The remaining increase consists of salary costs that result from the addition of four new positions (described below), two position substitutions, and an increase in temporary salaries, offset by reductions in overtime in the Maintenance division, premium pay and a 1 percent increase in attrition savings based on historical attrition rates from 3.5 to 4 percent. In FY 2012/13, salaries and mandatory fringe benefits increase \$2.1M, or 7 percent as a result of the end of Mayor Gavin Newsom's negotiated economic package consisting of a 4.62 percent salary reduction for fiscal years FY 2010/11 and FY 2011/12, which includes suspension of pay for performance of 1.50 percent, furlough totaling 2.19 percent in the first year and 2.05 percent in the second year.
- Other Current Expenses increase just \$3,782 in FY 2011/12, and then reduce \$169,000 or 1.7 percent in FY 2012/13. Continuing with the practice started in the current year, the costs for the Terminal Management Agreement for operation of Pier 80 is budgeted in Other Current Expenses, instead of reflected as revenue credits. The Controller's Office has mandated that net revenues be budgeted as both gross revenues and gross costs and thus the cost is now shown in the Professional Services budget. The Revenue Budget has been correspondingly increased as a result of this change.
- Capital Outlay is expected to increase in FY 2011/12 by \$210,000 or 41.4 percent due to the replacement of maintenance vehicles as well as I.T. equipment needed to upgrade the Port's I.T. infrastructure in order to handle the continued growth in demand. In FY 2012/13 Capital Outlay costs decrease by \$50,000, resulting from reduction in I.T. equipment acquisitions.

<sup>2</sup> The debt service payment assumes payments for \$15 million of new debt for the Cruise Terminal project.





- Annual Projects decrease \$1.1 million, or 23.7 percent in FY 2011/12 primarily from shifting the I.T. group to implementing already funded projects instead of new projects, including the replacement of the Port's maintenance management system. Notable new projects include the Pier 80 Underground Storage Tank in the Real Estate division which is to respond to regulatory mandates that will include investigation and characterization, and possible remediation, of the former underground storage tank site at Pier 80, and the Geographical Information Systems (GIS) project in I.T. In FY 2012/13, Annual Projects increase \$181,508 from FY 2011/12 primarily due to the disaster recovery and Oracle upgrade I.T. projects.
- The Port's work-order budget for services of other departments in FY 2011/12 is proposed for a reduction of \$1 million, from \$16.5 million to \$15.5 million<sup>3</sup>, due to projections based on actual current use, the end of some one-time projects and reductions in resource requests. The notable changes are described below:
  - The Port's work-order to the Planning Department will decrease \$367,000 to \$168,000 because the fees for environmental review of major projects, Brannan Street Wharf and the Pier 27 Cruise Terminal, will have been paid and will support planning staff work through completion of the environmental documents for these projects. The Port will pay required planning fees through capital budgets rather than include these costs in the operating budget. The Port will continue to collaborate closely with the Planning Department on needed planning studies. In the biennial budget period, however, Port staff has not programmed such studies.
  - The Port's work-order to the Police Department is reduced \$250,000 to \$328,000 for security services for cruise calls and to provide patrols of Port properties on a full-time basis. The proposed work-order reflects the projected actual cost in the current year. Port staff has planned to augment these services but the full-time patrol officer is providing exceptional services so additional resources are not necessary.
  - The Port's work-order to the Department of Public Works is budgeted to decrease \$150,000 because the current year funds one-time architectural services. DPW's project management support of the Cruise Terminal project and assistance on the Brannan Street Wharf project and other capital projects are budgeted in those projects.
  - The Port's work-order to Real Estate is proposed to decrease \$120,000 because the agreement with Real Estate to fund a Principal Property Manager position to complete working on the back-log of the Port's hold-over leases has expired. Due to staff reductions in Real Estate, the Division cannot assign staff to the Port.
  - The Port's work-order to the Recreation and Parks department will decrease \$200,000. This work-order was established so the Recreation and Parks staff

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<sup>3</sup> Services of other departments are currently budgeted at \$16,468,008 plus \$583,989 which is a revenue transfer to the MTA for parking meter enforcement. Therefore, the total current budget for services of departments total \$17,051,997. In the budget year, services of other departments are proposed at \$15,450,377 plus \$605,000 for MTA parking meter enforcement, for a total of \$16,055,377.



could assist the Port with planning and permitting. However, due to staff shortfalls at the Recreation and Parks Department, the Department has staff allocated to core functions and does not have capacity to program staff to the Port's work.

- The Port's work-order to the Human Rights Commission will be reduced \$85,000 to \$208,000 to reflect a reduction in the Port's resource request from 1.75 FTEs to 1 FTE. The final budget amount is subject to change based on the Human Rights Commission's overhead rate model.
- The Port's work-order to the GSA Capital Planning Committee will be reduced \$50,000 to \$80,000 to reflect the conclusion of the one-time project to provide special assistant to the Port's capital planning process.

These reductions are offset by:

- A \$178,000 increase in the Port's work-order to the PUC for Light, Heat and Power. However, this net increase includes \$500,000 for Shoreside Power so the change to the Port's projection of electric usage based on consumption provided by the PUC without Shoreside Power, is a \$322,000 reduction.
- A \$41,000 increase in the Port's work-order for the Risk Manager based on an allocation of costs.
- An increase in the revenue transfer out to the MTA of \$21,000 to reflect the current year addition of one enforcement beat.
- An increase of \$30,000 for telephone services to \$260,000. Notably, the budget does not include costs for I.T. data center consolidation as these costs have not yet been developed.

The proposed work-order budget for FY 2012/13 is proposed for a \$60,000 increase to \$15.5 million based on a slight increase in electric usage.

### **Staffing Changes Proposed – Operating Budget**

The proposed budget includes four new positions in the operating budget to address crucial needs related to the Port-wide Under Pier Utility Replacement Project, water and sewer line breaks, the effective implementation of the Computerized Maintenance Management System, and for maintenance of the Port's new parks. The proposed operating budget also includes two position substitutions to reflect the actual duties and responsibilities of these positions. Finally, the proposed operating budget includes a reassignment of a position from Engineering to Real Estate to consolidate the storm water and sanitary sewer program in the Real Estate Division. These changes are described in more detail below.





***New Positions (Budgeted at .73 FTE in FY 2011/12, costs shown below are annualized):***

***Engineering Division***

**5201 Junior Engineer - \$79,664 annual salary**

This position will add needed support to the Engineering Division's Utilities Group and to perform the following functions: 1) Assist in the development of design, cost estimation and funding request for the Port-wide Under Pier Utility Replacement Project; 2) Assist in coordination of Encroachment Permits - Currently the encroachment permit is managed by four engineers on weekly rotation basis; and 3) Perform Mechanical Engineer functions - Currently the Port has only one Mechanical Engineer, during any absences, all encroachment permits, building permits and projects needing mechanical engineering support are on hold.

***Maintenance Division***

**3417 Gardener - \$61,360 annual salary**

The Port will be opening new parks as a result of the 2008 Park Bond Measure. The new parks will require maintenance and currently the Port has only one Gardener position funded in the Port's Operating Budget. (This position was approved last year)

**7262 Maintenance Planner - \$95,576 annual salary**

The Maintenance Division is partnering with I.T. to implement a new Computerized Maintenance Management System (CMMS) that will require data management. The Maintenance Manager will work with the Division's Managers and Supervisors to ensure the integrity of the data input, work-order creation, work flow, work planning, reporting, etc. Without the Maintenance Manager position, the input of data will not have sufficient oversight to ensure that the data is accurate for reporting and decision making.

**7347 Plumber - \$94,458 annual salary**

The Port has had an increase in water and sewer line breaks over the last year resulting in discharges to the bay. The new position will increase the Plumbing Shop staff from five to six. The additional plumber position will provide for two boat crews, each crew requires three plumbers, to perform regularly scheduled under deck/pier plumbing inspections of water mains and laterals, sewer pump station sumps, force mains and gravity sewer lines.

***Reclassifications***

***Administration and Finance***

0931 Manager III	(\$126,048)
0932 Manager IV	\$135,200

This position substitution is required to match the classification to the actual job duties and level of responsibility of assignments. The Fiscal Officer is primarily responsible for the preparation and accuracy of the Port's Official Financial





Statement, and oversees accounting, accounts payable, reports and analysis, revenues and store room purchasing. The complexity of job duties has grown over time since the Port now receives more State and Federal grant funding and manages multiple debt types.

### **Maritime Division**

9355 Wharfinger I	(\$66,170)
9356 Wharfinger II	\$76,076

The upgrade to a Wharfinger II is intended to address maritime operations and security-emergency management and response capabilities. The Port will experience a 50% increase in cruise vessel volume in 2011 with a number of days with multiple vessel calls. Planning for the transition to a new cruise terminal at Pier 27 will call upon the Port's maritime operation staff to be nimble in coordinating this business expansion. The 9356 position requires additional qualifications for education and maritime experience in relation to the 9355 position with the expectation of performance at a higher degree of independent responsibility. The 9356 position also requires an increased experience and understanding of Federal and State regulations particularly Incident Command Systems (ICS) and the Maritime Transportation Security Act of 2002.

### **Reassignments**

From Engineering to Real Estate, 5602 Utility Specialist

This position is currently in Engineering and will be reassigned to Real Estate to create a storm water and sanitary sewer program. The proposal is to staff the Real Estate Environmental Program with 2 positions: the existing position (5620 Regulatory Specialist) and the transferred 5602 Utility Specialist.

The 5602 positions would manage the programs, be responsible for the overall environmental management in the Real Estate division, implement City-wide environmental programs, manage environmental assessment and remediation projects as-needed, and supervise the 5602 position.

The existing 5620 position would be responsible for real estate environmental compliance, including implementing the storm water management program with public education and inspections, administering the Port's sanitary sewer management program, conducting tenant inspection and managing environmental consulting contracts.

There are no position changes proposed in the operating budget for FY 2012/13.

### **Conclusion**

The Port's proposed Fiscal Years 2011/12 and 2012/13 biennial operating budget is a modest 1.2 percent in the first year and 4.4 percent increase in the second, while adding \$0.6 million to the Port's operating reserve in FY 2011/12 and then reducing it \$0.3 million in FY 2012/13. The Port's proposed FY 2011/12 total expense budget of \$66,827,767 (including operating expenses and annual projects) is \$2 million less than total operating revenues of \$69,052,727.



The Port's proposed FY 2012/13 total expense budget of \$69,767,805 (including operating expenses and annual projects) is \$262,437 more than total operating revenues of \$69,505,368. This is driven by increases in salaries due to the end of the prior years' labor concessions. This small difference will be funded by the Port's fund balance. The Port's practice has been to expend fund balance money for capital appropriation expenses or to maintain operating reserves or for one-time, non-recurring uses. The Port's FY 2012/13 total expense budget includes several one-time costs such as the \$3.8 million budgeted for annual projects. Thus, using \$262,437 from the Port's fund balance is consistent with the Port's practice of expending fund balance for one-time expenses. Notably, since the second year of the biennial budget is subject to re-review and re-appropriation next year, Port staff and the Port Commission may have the opportunity to make net changes that result in lower operating expenses than operating revenues.

As described below, the major increases in the proposed FY 2011/12 budget over the current year are in costs for salaries, mandatory fringe benefits, and debt service, which are offset by decreases in facilities maintenance projects, services of other departments, rents and leases, and materials and supplies. The major increases in the proposed FY 2012/13 budget over FY 2011/12 are also in salaries, mandatory fringe benefits, and debt service, offset slightly by decreases in other current expenses. The biennial budget continues to provide funding for one-time projects that will enable the Port to repair, manage, and develop the City's waterfront.

The Port's Fiscal Years 2011/12 and 2012/13 biennial revenue budget includes growth in maritime revenue, percentage rents and rent from parking lots. In addition, the Port's proposed revenue budget for interest on investments assumes a \$145,000 reduction to reflect average annual investment rate of 1.0 percent on the Port's operating fund balance. The revenue projection in this new two-year budget reflects the assumption of a slow economic recovery. While this budget is not ideal, because of a diverse revenue base, Port revenues remained resilient during the economic downturn and appear to be well situated to weather a slow economic recovery without making drastic reductions to the operating and capital budgets.

Port staff welcome comments, input and feedback from the Port Commission and the public. Port staff intend to fine-tune these line items and return to the Port Commission for review and approval of this biennial budget at its February 22, 2011 meeting.

Prepared By: Elaine Forbes  
Deputy Director of Finance and  
Administration



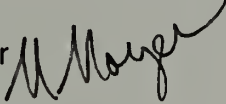




## MEMORANDUM

February 3, 2011

**TO:** MEMBERS, PORT COMMISSION  
Hon. Kimberly Brandon, President  
Hon. Ann Lazarus, Vice President  
Hon. Francis X. Crowley

**FROM:** Monique Moyer   
Executive Director

**SUBJECT:** Proposed \$21.7 Million Capital Project Budget Funding for Fiscal Years 2011/12 and 2012/13

**DIRECTOR'S RECOMMENDATION:** Informational Only - No Action Required

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### Proposed Capital Project Budget

Attached is the Capital Project Budget that Port staff is proposing for fiscal years 2011/12 and 2012/13. The Capital Project Budget for these two fiscal years is being presented for the Port Commission's review, comment and input. The proposed budget for capital projects for these two fiscal years, as detailed in Exhibit I, totals \$21,659,900, allocated as follows: \$13,109,900 for capital projects in fiscal year 2011/12, and \$8,550,000 for capital projects in fiscal year 2012/13. The final Capital Project Budget for fiscal years 2011/12 and 2012/13 will be returned to the Port Commission for approval at its February 22, 2011 meeting.

Over the past several months, the Capital Plan Working Group (CPWG) (comprised of key Port staff from all Port divisions) reviewed and scored capital project funding requests submitted by the Port's divisions using a new scoring criteria developed for the ten-year capital plan. As a result, for the first time, the two year proposed capital budget is aligned with the ten year capital plan. The proposed two year capital budget reflects those capital projects which scored the highest, and for which there was either no or insufficient third party funding available. The proposed list of capital projects and recommended funding levels were submitted to the Port's Executive Director for final approval before submission to the Port Commission for review and comment.

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The CPWG used the following criteria to determine which projects to recommend to the Port Commission for funding: (i) addresses a safety, health, code, or regulatory issue or threat to the environment; (ii) significant reduction in liability to the Port; (iii) promotion of commerce, navigation or fisheries; (iv) attraction of people to the waterfront; v) promotion of natural and cultural resources; and vi) availability of substantial project funding from outside funding sources.

Funding for these proposed projects will be provided by the unappropriated balance from the Port's operating funding, and funds generated from the defunding of selected existing capital projects.

#### **Revision to Previously Approved Capital Project Funding for FY 2011/12**

At its March 9, 2010 meeting, the Port Commission approved a \$38.5 million Port capital project budget for fiscal years 2010/11 and 2011/12 (resolution no. 10-08). The approved capital budget included \$12,543,000 in fiscal year 2011/12 for 13 different capital projects, as detailed in Exhibit I. The fiscal year 2011/12 capital project budget was based on \$12,543,000 in estimated available funding for the year as projected by Port staff. As part of the recently completed review and prioritization of capital project funding requests, Port finance staff re-estimated the amount of funding available based on the Port's 2009/10 fiscal year end close, and the Executive Director and CPWG re-examined the capital projects and funding levels approved for fiscal year 2011/12 in light of current Port operations and capital needs.

Since the fiscal year 2011/12 capital budget was last approved by the Port Commission the following significant changes have occurred in the Port's capital needs for the upcoming year:

- i) The need for more funding for the disposal of Drydock No. 1 as a result of a substantial increase in the disposal cost. Although the U.S. Department of Defense is contributing \$3 million toward the cost of disposal, the Port will need to add another \$1.8 million to the project in order to fully fund the disposal;
- ii) The need to add funds to the Port's emergency capital project fund. Use of project monies in recent years to pay for capital projects that were of an emergency or urgent nature has caused the available fund balance to drop below \$500,000, the minimum level considered adequate by Port management to handle potential emergency capital needs.
- iii) The need for \$500,000 to fund a portion of a local match requirement for the dredging of the Central Basin channel, as more fully described in the section titled Proposed Capital Project Budget Expenditures.

Changes to the previously approved fiscal year 2011/12 capital budget were also necessitated by a change in funding available from Port operations, as compared to the amount estimated last year. Based on the Port's 2011/12 fiscal year end close, operating surplus available to fund capital for fiscal year 2011/12 will be \$9.8 million. This is \$2.7 million lower than the \$12.5 million amount estimated in March of 2010. The reduction



principally reflected: i) a delay in the completion of Transbay Cable; that, in turn, caused a delay in the receipt of a \$1 million payment from the company<sup>1</sup>; ii) an expected one-time \$505,000 increase in funding for annual projects for fiscal year 2010/11; and iii) the amount of operating funding in fiscal year 2009/10 carried over into fiscal year 2010/11 to fund on-going projects and contracts was higher than expected.

In light of the new funding needs, and the reduced operating surplus, Port staff is proposing that fiscal year 2011/12 funding levels be reduced for several capital projects, as compared to levels approved by the Port Commission in March 2010 (detailed in Exhibit I). In most cases the reduction represents a one year delay in project funding. Proposed funding cuts in fiscal year 2011/12 would be restored in fiscal year 2012/13. Finance staff worked closely with the Port's Divisions to ensure that the proposed funding delays would not have an adverse impact on the Port's capital program.

In addition to capital project funding reductions for fiscal year 2011/12, Port staff is proposing to fully or partially defund the following six existing capital projects, in order to secure sufficient monies to fund the revised fiscal year 2011/12 capital budget priorities.

<u>Project</u>	<u>Amount to be Defunded</u>	<u>Reason</u>
Mission Bay Fencing	\$170,000	Project no longer needed, work paid for by grant funds.
Pusher Boat Modification	57,286	Surplus, project complete.
Roof Repair Project	752,714	Funds to be returned to the project in a future period. Sufficient funds remain in project to fund current work.
Pier 80 High Mast Lighting	200,000	Majority of work paid for by grant funds.
Pier 80/92/96 Rail Track Maintenance	400,000	Funds to be returned to project in a future period. Sufficient funds remain in project to fund current work.
Pier 70, Building 2 Repairs	600,000	A change in project scope has reduced the funding needed.
Total	<u>\$2,180,000</u>	

A noted above, a change in scope of work for the Pier 70, Building 2 repair project has resulted in an estimated \$600,000 reduction in project costs.

The Pier 70 Building 2 repair project scope, as approved by the Port Commission in March, 2010, included a replacement of the roof, repairs to the windows and window systems, and repair and/or replacement of the building's structural elements, as needed. The purpose of the project is to stop water intrusion into the building during rainstorms. A recent investigation revealed that the cause of the water intrusion into the building is not the roof; but, instead, is the building's deteriorated rainwater downspouts. As a result, Port staff is proposing that the project scope be amended to eliminate the roof replacement

<sup>1</sup> The payment, expected in fiscal year 2009/10, was not received until this fiscal year.





task, and to add the following elements; a) repairs and/or replacement of the building's rainwater downspouts, b) boarding up of windows and window systems on the upper floors of the building, c) demolition of the damaged interiors on the building's upper floors; and d) hazardous materials abatement.

### **Proposed Capital Project Budget Funding Sources**

For fiscal year 2011/12, Port finance staff estimates that \$13,109,900 in funding will be available to fund capital projects. This funding consists of \$9,829,900 in currently available funding, plus \$1,100,000 from environmental payments from Transbay Cable LLC for fiscal years 2010/11 and 2011/12 (beginning in fiscal year 2010/11 the company is required to make annual environmental payments of \$550,000 for the next ten years), plus \$2,180,000 generated from defunding six existing capital projects, as discussed above.

For fiscal year 2012/13, Port finance staff estimates that \$8,550,000 in funding will be available for capital projects. This funding consists of \$8,000,000 in estimated operating surplus funding plus \$550,000 from the annual Transbay Cable payment.

The sources of funding for Port capital projects for the next two years is shown below:

#### **Funding for Capital Projects**

<u>Sources</u>	<u>FY 2011/12</u>	<u>FY 2012/13</u>	<u>Two Year Total</u>
Operating Funds From Prior Fiscal Year End Close	\$9,829,900	\$8,000,000	\$17,829,900
Funds Generated From the Full or Partial De-Funding of Existing Capital Projects.	2,180,000	0	2,180,000
Transbay Cable payments	<u>1,100,000</u>	<u>550,000</u>	<u>1,650,000</u>
Total Operating Funding	\$13,109,900	\$8,550,000	\$21,659,900

### **Proposed Capital Project Budget Expenditures**

The capital project budget expenditures that staff is proposing for fiscal years 2011/12 and 2012/13, shown in Exhibit I hereto, includes Port funding for: (i) the Port's maintenance dredging program for the next two years; (ii) a portion of a local match requirement for the dredging of the Central Basin channel to be completed by the Army Corps of Engineers; (iii) the clean up of the historic buildings located at Pier 70; (iv) replacement of the high mast lighting fixtures at Pier 94/96; and (v) major maintenance of the Port's rail track located in the southern waterfront. The proposed monies for the rail track maintenance project in fiscal year 2012/13 represents a partial restoration of the funding taken from this project a year earlier.

The proposed capital budget also includes funding for an initial phase of a study to develop an infrastructure plan for Pier 70. Additional funding needed to complete the study would be provided in a future capital project budget.

Also included in the proposed capital project budget for fiscal years 2011/12 and 2012/13 is additional Port funding for: (i) the disposal of drydock no 1; (ii) the Port's emergency





capital project fund; (iii) a capital project established to make physical improvements to Port facilities to make them more accessible to the disabled; (iv) capital projects established to repair the pier structures and utility infrastructure of Port facilities; (v) a capital project to fund capital improvements needed as part of the leasing process; (vi) a capital project established to repair sewer pumps along the Port's waterfront; (vii) a capital project established to drydock and repair the floats located at the Port's ferry terminals; (viii) a capital project to repair, upgrade and replace elevators and escalator systems located in various Port facilities; (ix) a capital project to fund the installation of a new forced sewer main on Amador Street; (x) a capital project to renovate an existing building to house the Port's Fisherman's Wharf Harbor office and the SFPD's marine unit; (xi) a capital project established to fund open space and alternative energy projects that meet guidelines outlined in the Port's lease agreement with Transbay Cable; and (xii) a capital project established for greening and beautification projects at sites located in the southern waterfront. The additional funding proposed for this last project will cover the Port's expected obligations generated by leasing activity projected over the next two years.

Based on the Port's existing capital project needs and identified funding sources, Port staff submits to the Port Commission for its review, comment, and input the attached proposed Capital Project Budget for fiscal years 2011/12 and 2012/13 and the re-scoping of the currently funded Pier 70, Building 2 repair project, as described herein.

#### **Next Steps**

The amended project description and funding for the Pier 70, Building 2 repair project, along with the Capital Project Budget for fiscal years 2011/12 and 2012/13 will return to the Port Commission for adoption at its February 22, 2011 meeting. Following approval by the Port Commission, the two year Capital Project Budget and the amended Pier 70, Building 2 repair project will be submitted to Mayor Edwin Lee's office and the City Capital Planning Committee. The two year Capital Project Budget, along with the amended Pier 70, Building 2 capital project will be submitted by Mayor Edwin Lee to the Board of Supervisors for adoption.

Prepared By: Lawrence Brown, Financial Analyst

For: Elaine Forbes, Deputy Director  
Finance and Administration



**EXHIBIT I**

**Capital Projects  
Proposed Funding for FYs 2011/12 and 2012/13**

	<b>FY 2011/12</b>		<b>FY 2012/13</b>	<b>Proposed</b>
	<b>Previously Approved Funding</b>	<b>Current Proposed Funding</b>	<b>Proposed Funding</b>	<b>Two Year Funding Total</b>
<b>Projects Funded from Port Operating Fund Balance</b>				
<i>Fisherman's Wharf:</i>				
FW Harbor Office and Marine Unit Headquarters' Building	0	0	200,000	200,000
<i>Ferry Building Area &amp; South Beach:</i>				
Ferry Terminal Float Repairs – Add'l Funding	350,000	350,000	300,000	650,000
<i>Southern Waterfront:</i>				
Pier 70 Historic Buildings Clean-Up	50,000	50,000	0	50,000
Pier 70 Infrastructure Study	0	0	100,000	100,000
Dry Dock #1 Emergency Response and Disposal – Add'l Funding	0	1,816,900	0	1,816,900
Amador Street Forced Sewer Main & Pump Station	1,000,000	900,000	0	900,000
Southern Waterfront Greening/Beautification Improvements	150,000	150,000	0	150,000
Southern Waterfront Open Space Enhancements/Alternative Energy	550,000	550,000	550,000	1,100,000
Pier 80,92,96 Rail Track Maintenance	0	0	100,000	100,000
Pier 94/96 High Mast Lighting Project	0	0	300,000	300,000
<i>Portwide Projects:</i>				
Emergency Capital Project Fund	0	200,000	100,000	300,000
Dredge Materials Testing FYs 2011/12 & 2012/13 Programs	731,000	750,000	700,000	1,450,000
Maintenance Dredging FYs 2011/12 & 2012/13 Programs	2,987,000	3,045,500	2,595,340	5,640,840
Port ADA Transition Plan – Add'l Funding	200,000	200,000	175,000	375,000
Pier Structures Repair Project, Phase II – Add'l Funding	5,600,000	4,622,500	2,725,000	7,347,500
Utilities Project – Add'l Funding	175,000	175,000	204,660	379,660
Waterfront Sewer Pump Project, Phase II – Add'l Funding	100,000	0	100,000	100,000
Leasing Capital Improvement Project - Add'l Funding	150,000	100,000	100,000	200,000
Port Elevator/Escalator Upgrade, Repair, and Replacement Project	500,000	200,000	300,000	500,000
<b>Projects Funded From Operating Fund Balance - Total</b>	<b>\$12,543,000</b>	<b>\$13,109,900</b>	<b>\$8,550,000</b>	<b>\$21,659,900</b>
<b>Total Proposed Project Funding</b>		<b>\$13,109,900</b>	<b>\$8,550,000</b>	<b>\$21,659,900</b>





**CAPITAL PROJECT BUDGETS**  
(Port Operating Fund Balance)

<u>Project Name</u>	<u>FY 2011/12</u>	<u>FY 2012/13</u>	<u>Description</u>
Fisherman's Wharf Harbor Office and Marine unit Headquarters' Building	\$0	\$200,000	<p>This project provides funding for the design, renovation, and outfitting of an existing building to house the Port's Fisherman's Wharf Harbor office and the administrative office of the San Francisco Police Department's Marine Unit. The renovated building will also include staff restrooms &amp; shower, changing room, storage room, and a public meeting room.</p> <p>Initial funding was provided for geotechnical, soil and water investigation, hazard materials assessment, and conceptual design. The Port has secured a \$1.865 million grant from the California Emergency Management Agency for architectural and engineering services, detailed design and renovation of the building. Funding is now needed for furnishings and other items that are not eligible for grant funding.</p> <p>The Port's current harbor office is located on the second floor of a building on Wharf J-9, and is not ADA compliant. The SFPD marine unit is housed in a temporary trailer that displaces parking places for Hyde Street Harbor. A new ground floor Port harbor office would offer more space and be ADA compliant. Additionally, improving the facilities for the SFPD's marine unit will enhance maritime safety and security in the Fisherman's Wharf harbor area. This project is scheduled to be completed well ahead of the 34<sup>th</sup> running of the America's Cup yacht races in 2013.</p>
Ferry Terminal Float Repairs Project – Add'l Funding	\$350,000	\$300,000	<p>This project provides funding for drydocking the Port's ferry terminal floats, resurfacing of the float decks, fender replacement, and electrical repairs.</p> <p>\$650,000 in funding was appropriated in FYs 2008/09 and 2009/10 for this project. \$650,000 in additional funds over the next two years is being provided to complete the funding needed for the drydocking of these terminal floats.</p> <p>The Port's public ferry terminal floats have been in continuous service for nine to ten years and are now in need of overhaul and repairs in order to maintain their safe operation.</p>
Pier 70 Historic Buildings Clean-Up	\$50,000	\$0	<p>This project will fund the clean up of debris within the historic buildings located within the Pier 70 National Historic District.</p> <p>\$100,000 in funding was appropriated in FY 2010/11, and the \$50,000 in funding for FY 2011/12 completes the \$150,000 in initial funding provided to clean up debris in Buildings 101, 113, and 104. Funding is also provided to clean up other historic buildings in the Pier 70 National Historic District as needed. Funding is also available for the rental and/or purchase of equipment, as needed to facilitate the clean up.</p> <p>Debris, and waste contribute to increased deterioration of the Pier 70 National Historic District's historic buildings, and limit their marketability. Cleaning up these buildings will help to retard the continued deterioration, and will increase the marketability of these structures to developers.</p>





**CAPITAL PROJECT BUDGETS (cont)**  
**(Port Operating Fund Balance)**

<u>Project Name</u>	<u>FY 2011/12</u>	<u>FY 2012/13</u>	<u>Description</u>
Pier 70, Infrastructure Study	\$0	\$100,000	<p>Following an extensive public planning process, the Port published its Master Plan for the Pier 70 area in April 2010. The Master Plan balances ship repair activities, new waterfront parks, rehabilitated historic buildings, and new development opportunities over the 69-acre area. Several implementation efforts are underway including working with the ship repair operator, seeking developers for historic buildings, initial park improvements, and a 25 acre development project.</p> <p>This project provides funding for a comprehensive study and design of the infrastructure systems at Pier 70. The infrastructure systems (roadways, water, sewer, electrical and storm water) will all need to be built or rebuilt in order to support a reuse of the site. A study is needed to determine the existing infrastructure, design appropriate systems to support the planned reuse of the site, develop cost estimates, identify infrastructure financing mechanisms, and to develop a model to equitably allocate costs across future users.</p> <p>By developing the infrastructure design and cost estimates itself, rather than relying on potential developers to accomplish these tasks, the Port can expedite the project approvals and reduce uncertainty for these developers, thereby reducing the overall project costs, and improving the Port's expected financial return.</p>
Drydock No. 1 Emergency Response and Disposal	\$1,816,900	\$0	<p>Drydock No. 1, an old obsolete drydock, broke its mooring during a high wind storm on November 7, 2002 and went adrift, finally running aground on Yebra Buena Island. The vessel is currently moored at a berth at Pier 80.</p> <p>To date, \$2.6 million has been spent on i) the emergency response and salvage operations required to recover the drydock and transport it to safe harbor at the Port; ii) mooring charges for storage of the drydock at the BAE San Francisco Drydock facility; and iii) moving the drydock from the San Francisco Drydock facility to Pier 80.</p> <p>Additional funding is now needed to permanently dispose of the drydock, which is expected to cost approximately \$5.5 million. Also included are RFQ/RFP and related costs, costs for consultants and engineers, construction and contract management, and the purchase of equipment needed to complete the disposal.</p> <p>While the vessel is secured at Pier 80, there remains the possibility that the drydock could break free from its mooring in the future. There is also a risk of the vessel sinking. Final disposition of the drydock would eliminate the Port's liability now associated with this vessel.</p>



**CAPITAL PROJECT BUDGETS (cont)**  
**(Port Operating Fund Balance)**

<u>Project Name</u>	<u>FY 2011/12</u>	<u>FY 2012/13</u>	<u>Description</u>
Amador Street Forced Sewer Main & Pump Station	\$900,000	\$0	<p>This project will finance the installation of a new forced sewer main from the Port's Amador Street pump station to DPW's manhole on Third Street. The Amador Street pump station will also be rebuilt as part of the project scope.</p> <p>The current forced sewer main is very old and breaks frequently causing backed-up drains in tenant spaces. In addition, the pump station is running at maximum capacity. Future increases in tenant effluent loads will likely overtax the system, and lead to increased failure of this sewer line. A new line will provide more dependable sewage service. Completion of the project will also allow the Port to increase the capacity of its sewer pumping system, and help the Port maximize the rental income from its facilities in this area.</p>
Southern Waterfront Greening/Beautification Improvements	\$150,000	\$0	<p>This project provides funding for greening and beautification projects and related improvements for sites located in the Southern Waterfront.</p> <p>On November 17, 2007 the Port Commission adopted a policy that established a Southern Waterfront Community Benefits and Beautification Fund, and a funding mechanism consisting of a revenue set aside from the collection of rent generated by new leasing in the area.</p> <p>To date, \$380,000 in funding has been provided for this project. \$150,000 is now needed to cover the Port's expected obligation generated by projected leasing activity in FY's 2011/12 &amp; 2012/13. Projects to be funded by this project include: i) planning and design of improvements to beautify the area at Third Street and Cargo Way; ii) a bike and pedestrian improvement pilot project for Cargo Way, iii) public art for the silos at Pier 90; and iv) improvements to Tulare Park. Funding is also provided for other greening and beautification projects for the southern waterfront as needed.</p> <p>The projects and improvements funded by this project will contribute to the quality of life for visitors and residents that live in communities that are adjacent to the Port's property in the Southeast part of San Francisco.</p>





**CAPITAL PROJECT BUDGETS (cont)**  
**(Port Operating Fund Balance)**

<u>Project Name</u>	<u>FY 2011/12</u>	<u>FY 2012/13</u>	<u>Description</u>
Southern Waterfront Open Space Enhancements and Alternative Energy	\$550,000	\$550,000	<p>This project provides funding for the development of new open spaces and improvements to existing open spaces located within the area of the southern waterfront that is the focus of the Port's Blue-Greenway planning process. Projects to be funded may likely include: i) improvements within the Pier 70 project area, Warm Water Cove Park, and Islais Creek; ii) public art installation; and iii) detail design for pedestrian and bicycle improvements along Illinois Street and Cargo Way.</p> <p>Funding is provided for the design and construction of open space improvements, including forms of public art. Project funds may also be utilized to support alternative energy projects that meet guidelines outlined in the Port's lease agreement with Transbay Cable.</p>
Piers 80, 92, 96 Rail Track Maintenance	\$0	\$100,000	<p>This project funds the repair and/or replacement of deteriorated railroad track at Piers 80, 92, and 94/96. Funding is also provided for consultant studies, as well as the engineering and construction of additional rail links to these facilities and other rail improvements.</p> <p>Recent studies performed by a railroad consultant indicate that improvements to the rail track system at Pier 80, and 94/96 are needed to improve the versatility and productivity of these facilities. In addition, failure to maintain the Port's rail trackage can ultimately lead to track failure and derailment of locomotive and flat cars.</p>
Pier 94/96 High Mast Lighting Project	\$0	\$300,000	<p>This project provides funding to replace the high mast lighting fixtures at Pier 94/96 including deteriorated electrical components and climbing safe devices on the high mast lighting standards. The project will also replace the rusted climbing studs on the light poles with new ladders.</p> <p>The existing high mast lighting fixtures are 20-25 years old, and they have deteriorated to such an extent that re-lamping the fixtures is now both difficult and expensive. In addition, the existing climbing devices on the poles are unreliable and unsafe. Replacing the old fixtures with new ones will make it much easier and safer to re-lamp the high mast lights when needed.</p>
Emergency Capital Project Fund	\$200,000	\$100,000	<p>This project provides funding for unforeseen capital projects which are of an urgent or emergency nature. Emergency projects are those that: (i) adversely affect health and safety if not done immediately; (ii) are required by law to be completed immediately; or (iii) will have a serious adverse impact on Port assets if not done immediately. Funding is also provided for disaster response and recovery. Additional funding is needed to bring the available appropriated funding in this project up to \$500,000; the minimum level considered adequate for this purpose by Port management. Not having sufficient available appropriated funding to address disaster response and recovery, and emergency projects in a timely manner could have a serious negative impact on the Port and its operations.</p>





**CAPITAL PROJECT BUDGETS (cont)**  
**(Port Operating Fund Balance)**

<b>Project Name</b>	<b>FY 2011/12</b>	<b>FY 2012/13</b>	<b>Description</b>
Dredge Materials Testing – FYs 2011/12 and 2012/13 Programs	\$750,000	\$700,000	<p>This project will fund the testing of sediments to be dredged for chemical and biological contaminants. This project supports the Port's dredging activities scheduled for FYs 2011/12 and 2012/13.</p> <p>Environmental regulations require chemical and biological testing of the sediments in any area to be dredged in order to determine the amount (if any) of contaminants in the soil. Results of the testing are used to determine the proper disposal site.</p>
Maintenance Dredging – FYs 2011/12 and 2012/13 Programs	\$3,045,500	\$2,595,340	<p>This project will fund the Port's dredging activities scheduled for FYs 2011/12 and 2012/13. It will fund dredging at Piers 27 and 35, 80, the Islais Creek Channel, and other berths as needed.</p> <p>This project also provides a portion of local match funding for the dredging of the Central Basin channel located offshore of BEA Systems' San Francisco Ship Repair leasehold.</p> <p>The Army Corp of Engineers has recently agreed to include the Central Basin channel as part of the San Francisco Bay that is under their responsibility to maintain as a navigable waterway. As a result, going forward they will be responsible for the dredging of this waterway. Before the Army Corps takes over dredging responsibility, however, the channel needs to be dredged to ensure that it is at the required navigable depth. The Army Corps has agreed to assume 75% of \$4 million estimated cost of this initial dredge. This leaves a local match requirement of \$1 million. This project provides 50% (or \$500,000) of the funding needed for the local match requirement. It is anticipated that BAE Systems will contribute the remaining \$500,000 needed for the local match.</p> <p>Maintenance dredging is necessary for the continued operation of Port maritime facilities. Dredging keeps berths and channels at navigable depths, including sites where the Port has contractual obligations with shipping lines and operators.</p> <p>In the case of the Central Basin channel, the approach to BAE System's ship repair facilities continues to grow more shallow; which, in turn, is limiting the type of vessels that the shipyard can work on, as well as negatively impacting the revenue generating ability of the facility.</p>



**CAPITAL PROJECT BUDGETS (cont)**  
**(Port Operating Fund Balance)**

<b>Project Name</b>	<b>FY 2011/12</b>	<b>FY 2012/13</b>	<b>Description</b>
Port ADA Transition Plan – Add'l Funding	\$200,000	\$175,000	<p>This project provides funding for physical improvements to the Port's public facilities to make them accessible to the disabled. To date, \$2,133,961 has been appropriated for this project; almost all of which has been committed for specific ADA projects.</p> <p>Additional funds are now needed for curb ramps and sidewalk improvements throughout the Port and for various ADA upgrades to the Port's Agricultural Building. Funding is also available for other accessibility repairs and improvements as needed.</p> <p>This project helps the Port meet its goal of making its facilities more accessible to Port tenants and the public.</p>
Pier Structures Repair Project, Phase II - Add'l Funding	\$4,622,500	\$2,725,000	<p>This project funds engineering, permitting, inspection and repair of, or improvements to, the Port's deteriorated pier structures including substructures, superstructures, and marginal wharfs. Funds are also provided for labor and equipment as needed. To date, \$5,514,500 has been appropriated for this project; almost all of which has been committed for pier repair projects.</p> <p>Additional funds are now needed for the repair of the fenders at Piers 27 and 35, long term repairs to Pier 22, subsidence stabilization repairs for Pier 94/96, and repairs to and/or the replacement of the deck and seawall at Wharf J9. Funding provided will also cover pier-related repairs at other facilities as required.</p> <p>Repairing the Port's pier structures is necessary to ensure: (i) the continued safe operation of the Port's pier superstructures and buildings, (ii) the preservation of lease revenues, and (iii) the extension of the economic life of the Port's pier and marginal wharf assets.</p>
Utilities Project – Add'l Funding	\$175,000	\$204,660	<p>This project provides funding for necessary utility repair and capacity related improvements to the utility infrastructure servicing various Port facilities. Utilities include electric power, lighting, telephone, gas, HVAC, water, electronic security, sewer and drainage service. This project also funds fire system certification, and needed repairs and improvements to fire and alarm systems at various facilities. Also included is funding for labor and equipment as needed to facilitate the repairs. Since FY 2003/04, \$3,075,000 has been appropriated for this project; almost all of which has been committed for specific utility projects.</p>



**CAPITAL PROJECT BUDGETS (cont)**  
**(Port Operating Fund Balance)**

<u>Project Name</u>	<u>FY 2011/12</u>	<u>FY 2012/13</u>	<u>Description</u>
Utilities Project – Add'l Funding (continued)			Additional funds are now needed for: i) improvements to the electrical service at Pier 33, ii) utility improvements needed to implement enhancements to the security of Building 113 at Pier 70, and iii) utility mapping. Funding provided is also available for utility-related repairs at other facilities as needed.  Repairs to the Port's utility systems is needed to keep the Port's facilities in service and for public safety. In addition, many of the Port's pier sheds have a utility infrastructure that is only adequate for warehouse use. The Port's ability to rent space is often hampered by the need for additional utility capacity. Increasing capacity where necessary will allow the Port to maximize the rental income from its facilities.
Waterfront Sewer Pump Project, Phase II – Add'l Funding	\$0	\$100,000	This project provides funding for the purchase of electric motors, pump, and controls, and related parts & supplies need to: i) repair sewer pumps currently in use along the Port's waterfront; and ii) build a set of backup sewer pumps.  Many of the Port's sewer pumps are over 40 years old and beginning to fail. The Port's maintenance staff is constantly moving operating pumps between pump stations in order to maintain sewer service for our tenants and for restrooms located in public access areas. This project will help to make the Port's sewer system more dependable.  \$100,000 was appropriated in FY 2009/10 for this project. An additional \$100,000 in funding will be needed in FY 2012/13 to continue the repair of the Port's pump stations and sewer pumps.
Leasing Capital Improvement Project – Add'l Funding	\$100,000	\$100,000	As part of lease negotiations with Port tenants, or potential tenants, it is sometimes necessary for the Port to make certain improvements to a facility in order to close a lease. This project provides funding for capital improvements needed as part of the leasing process. Improvements financed may include, but are not limited to, electrical and plumbing upgrades, roof repairs, HVAC, structural improvements, ADA upgrades, paving, and fencing.  To date, \$1,550,000 has been provided for urgent repairs to Pier 19/23 and site improvements to parcels located in the backlands area of the southern waterfront. \$200,000 in additional funding is now needed to fund capital improvements that may be needed over the next two years at various facilities as part of the leasing process.





**CAPITAL PROJECT BUDGETS (cont)**  
**(Port Operating Fund Balance)**

<u>Project Name</u>	<u>FY 2010/11</u>	<u>FY 2011/12</u>	<u>Description</u>
Port Elevator/Escalator Upgrade, Repair and Replacement Project	\$200,000	\$300,000	<p>This project provides funding for the repair, upgrade and replacement of the elevator and escalator systems located in various Port facilities. Included in the project scope are replacement of the control systems, as needed. Funds are also provided for labor and equipment as needed.</p> <p>Most of the Port's elevator and escalator systems are old and in need of significant repair, upgrade, or, in some cases, replacement. In addition, some of the Port's systems do not meet current ADA standards for accessibility. The project will help ensure that the Port's elevators and escalators operate efficiently and safely. It will also bring the Port's elevator and escalators into ADA compliance, and will help ensure that the systems maintain their certification to operate.</p>

Total Proposed Project  
Funding From Operating Fund Balance      \$13,109,900      \$8,550,000





## MEMORANDUM

February 3, 2011

**TO:** MEMBERS, PORT COMMISSION  
Hon. Kimberly Brandon, President  
Hon. Ann Lazarus, Vice President  
Hon. Francis X. Crowley

**FROM:** Monique Moyer  
Executive Director

**SUBJECT:** Request approval of the Executive Director's nomination of Gary Hoy, Sagiv Weiss-Ishai, Hanson Tom, Joy Navarrete and Brad Wilson to the Port Building Code Review Board

**DIRECTOR'S RECOMMENDATION:** Adopt Attached Resolution

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### Introduction

Section 105A of the 2010 Port of San Francisco Building Code provides a process for the public to appeal code interpretations made by the Chief Harbor Engineer and requires the Port to commission a "Port Building Code Review Board" for such appeals. The code specifies that members of this Board are to be nominated by the Port Executive Director and approved by the Port Commission. On September 11, 2007 the Port Commission adopted Resolution 07-70 which established the Port Building Code Review Board (the "Review Board") as the body responsible to hear and adjudicate building code appeals and appointed five individuals to serve as Review Board members. Each member was limited to a maximum term of three years. At this time, the three year terms have expired and the Port must now establish a new membership to serve on the Review Board.

### Background

Section 105A.2.1 of the Port Building Code states that the Port Building Code Review Board will be composed of five members employed with the City and County of San Francisco and shall have technical skills and/or non-technical construction working experience related to construction. The Review Board is required to have a minimum of three technical members, who shall be a registered and/or licensed California structural engineer, architect, and utilities engineer, which may be an electrical, mechanical, fire protection engineer or a certified building official. Three members, including a minimum of

**This Print Covers Calendar Item No. 10A**



two (2) technical members, form a quorum. The Port Executive Director may appoint a replacement member for a single action to meet the minimum requirement for a quorum. Unless three or more members cast affirmative votes concerning a matter, the Review Board may not take any action. The Review Board appointed under Resolution 07-70 met twice during the three year term to hear and adjudicate one appeal with no action taken due to a cast of less than three affirmative votes.

For the current term starting February 8, 2011, the Port Executive Director nominates and recommends four of the existing members for reappointment and one new individual (**in bold**) for appointment to the Review Board positions noted:

**Technical Board Member Recommendations:**

1. Gary Hoy, Architect  
City Architect  
Department of Public Works, Bureau of Architecture  
California Registered Architect
2. **Sagiv Weiss-Ishai**  
**Fire Protection Engineer**  
**San Francisco Fire Department**
3. Hanson Tom, Structural Engineer  
Special Projects Manager  
San Francisco Department of Building Inspection  
California Registered Civil and Structural Engineer

**Non Technical Board Member Recommendations:**

1. Joy Navarrete, Planner  
Environmental Planner  
San Francisco Planning Department
2. Bradley J. Wilson, P.E.  
Security Program Manager  
San Francisco Public Utilities Commission, Homeland Security

Sagiv Weiss-Ishai graduated from Maryland College in 2002 and worked as a consulting Fire Protection Engineer in the private industry until October 2007 when he filled his current position as a Fire Protection Engineer with the San Francisco Fire Department.

The Port Building Code Section 105A.2.2 limits the basis of appeals heard by the Review Board to the following matters:

1. The granting or denying of any permit, or the revoking or refusing to revoke any permit under the current edition of the Port of San Francisco Building, Mechanical, Electrical and Plumbing Codes;
2. Any order of the Chief Harbor Engineer involving construction methods, assemblies or materials or where safety is involved; and
3. Any order of abatement resulting from a Chief Harbor Engineer Hearing and any notice of violation order issued pursuant to Section 102A of the Port Building Code.





However, the Port Building Code specifies that appeals from the Chief Harbor Engineer's decisions in enforcement of barrier free design or physical accessibility shall be administratively processed through the Mayor's Office on Disability and/or the San Francisco Department of Building Inspection Access Appeals Commission. The Port Building Code restricts the authority of the Review Board to a review of the Chief Harbor Engineer's records, whose decision may be reversed by the Review Board only upon a finding of error. However, the Review Board shall have no authority to waive requirements of the Port Building Code.

### **Funding**

All nominees to the Port Building Code Review Board are employees of the City and County of San Francisco and therefore no direct funding is required to staff this Review Board.

### **Schedule**

At its meeting of September 11, 2007, the Port Commission adopted Resolution 07-70 which established a "Port Building Code Review Board" to conduct appeal hearings concerning the Chief Harbor Engineer's interpretations of the Port Codes. Resolution 07-70 limited the terms of the individuals serving on the Board to a maximum three year period, which has expired. If the Port Commission approves the Executive Director's nominations, these individuals will serve and succeed those Review Board members whose terms expired under Resolution 07-70. As described above, under Section 105A.2.2 of the Port Building Code, the new members of the Port Building Code Review Board shall have the responsibility to conduct appeal hearings in accordance with the current edition of the Port of San Francisco Building Code and review interpretations of the Chief Harbor Engineer for any error or misinterpretation and, upon finding any such error or misinterpretation, the Review Board shall have the authority to reverse a decision made by the Chief Harbor Engineer. The Port Building Code Review Board shall have no authority to waive requirements of the Port Building, Electrical, Mechanical or Plumbing Codes.

### **Summary**

The 2010 Port of San Francisco Building Code provides for a public appeals process through a Port Building Code Review Board appointed by the Port Commission. The term limits of the current Review Board members have expired and staff requests the Port Commission to approve and appoint five individuals: Gary Hoy, Sagiv Weiss-Ishai, Hanson Tom, Joy Navarrete and Brad Wilson nominated by the Port Executive Director to serve as successor Review Board members for a maximum term of three years.

Prepared By: John Aires  
Senior Building Inspector

For: Edward F. Byrne  
Chief Harbor Engineer



**PORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 11-06**

WHEREAS, the 2010 Port of San Francisco Building Code provides for the creation of a Port Building Code Review Board to hear appeals from the Chief Harbor Engineer's decisions and interpretations based upon the Port Building Code, as specified in Section 105.A.2 of the Port Building Code; and

WHEREAS, Section 105A.2.1 of the Port Building Code provides for selection of the members of the Port Building Code Review Board by the Port Executive Director and approval by the Port Commission; and

WHEREAS, the terms have expired for the previous members of the Port Building Review Board who were appointed by the Port Commission on September 11, 2007, pursuant to Resolution 07-70; and

WHEREAS, at this time, pursuant to Section 105.A.2.1 of the Port Building Code, the Port Executive Director has nominated five individuals to serve as successor members of the Port Building Code Review Board; and

WHEREAS, Section 105A.2.1 of the Port Building Code limits the term of each individual Port Building Code Review Board member to a maximum period of three years; now, therefore be it

RESOLVED, that the Port Commission hereby approves the Executive Director's nomination of, and appoints, the following individuals to the Port Building Code Review Board, to serve in the capacities so designated for a maximum term of three years:

1. Mr. Gary Hoy, Architect - Technical Member
  2. Mr. Sagiv Weiss-Ishai, Fire Protection Engineer – Technical Member
  3. Mr. Hanson Tom, Structural Engineer – Technical Member
  4. Ms. Joy Navarrete, Planner – Non Technical Member
  5. Mr. Brad Wilson, Construction Manager – Non Technical Member
- and be it further

RESOLVED, that these members of the Port Building Code Review Board shall have the responsibility and authority to adjudicate issues and hear appeals arising from the Port Building Code in accordance with, and as limited by, Section 105A of the current edition of the Port of San Francisco Building Code.

***I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of, February 8, 2011.***

\_\_\_\_\_  
Secretary





## MEMORANDUM

February 4, 2011

**TO:** MEMBERS, PORT COMMISSION  
Hon. Kimberly Brandon, President  
Hon. Ann Lazarus, Vice President  
Hon. Francis X. Crowley

**FROM:** Monique Moyer  
Executive Director

**SUBJECT:** Request approval of Lease No. L-14887 with Sitting By, doing business as Hivive, Inc., a California Corporation, for an eight-year restaurant lease for premises located at Pier 28½.

**DIRECTOR'S RECOMMENDATIONS:** Approve Attached Resolution

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### I. History

Sitting By, doing business as Hivive ("Hivive") operates a full-service casual dining restaurant located at Pier 28½ under Lease No. L-13516 in the South Beach-Rincon Park area of the waterfront. (See Attachment 1)

Following the voluntary termination of the then restaurant operator, J. Kennedy Inc. d.b.a. the Boondocks Restaurant in 2002, the Port sought a new restaurant operator through the competitive Request for Proposal ("RFP") process.

The Port's stated goals in the RFP package were to select a qualified respondent that had the demonstrated ability to finance, design, construct, and operate a restaurant on the site, with the goal of negotiating a lease and related documents for the development of the site.

The RFP further stated that the Port intended to select a respondent that would be able to successfully create a restaurant that provides the surrounding neighborhood and businesses with an affordable, high-quality dining choice and that would activate and enliven the neighborhood.

This process concluded in 2003 with the selection of Hivive as the Highest Qualified Respondent. Lease No. L-13516 was approved by the Port Commission on August 12, 2003, pursuant to Resolution No. 03-56.

**THIS PRINT COVERS CALENDAR ITEM NO. 11A**





The lease provided for a term of 9½ years, an initial minimum rent of \$3,389.75, or \$1.75 per square foot, and an initial percentage rent of 6.5%, increasing to 7% on the second anniversary date. Hidive applied for and received a Port Building Permit.

Hidive's initial tenant improvements were approximately \$289,860 and were completed in November 2003.

In 2009, Hidive constructed an outdoor dining area under a Port month-to-month License, No. 14542. The area is 522 square feet adjacent to the north side of the restaurant. The cost of this construction was \$138,437. Rent for this area is paid based on 7% of gross sales.

The value of these 2009 improvements triggered the requirement for 100% Americans with Disabilities Act ("ADA") code upgrade to the restaurant. Under the Port Building Code, if the value of tenant improvements exceed \$134,000, then the tenant is required to construct 100% ADA code upgrades. This threshold amount is indexed annually and adjusted accordingly.

Alternatively, if the tenant improvements are valued under the index threshold amount, the project is governed by the 20% Rule. Under this rule in the Port Building Code, 20% of the total project costs must be dedicated to ADA code upgrades.

Since the construction of the outdoor dining area triggered a 100% ADA code upgrade, Port Building Inspection reviewed the existing conditions of the restaurant and made the following determinations: the existing ADA bathroom and the unisex bathroom constructed in 2003 required a 100% upgrade to current ADA standards, and the entrance-way landing and a portion of the interior floor required 100% compliance with ADA standards for accessible paths of travel.

Hidive immediately undertook the required upgrades that included the complete reconstruction of the bathrooms resulting in two updated ADA-compliant bathrooms, resurfacing of the entrance-way landing and interior floor to provide an ADA-compliant path of travel, as well as completion of the outdoor seating area. These improvements were completed at a cost of \$154,074 and approved by Port Building Inspection on December 1, 2010.

Prior to the completion of the improvements, Hidive requested a term extension in order to amortize the cost of this second construction project. As a part of this review, Port staff considered whether or not this request complied with the Retail Leasing Policy and the Tenant in good standing policy.

Subsequent to an affirmative determination, Port staff moved forward with Lease negotiations. These discussions led to the development of the proposed eight-year Lease, No. L-14887.



## **II. Lease Proposal**

The existing lease expires on August 31, 2012. The proposed new lease ("Lease") replaces the existing lease and license for the outdoor seating area. In addition, the Lease provides for a term of eight years (this is an additional 6½ years from the original August 31, 2012 lease expiration date) and contains a retroactive construction period of up to three months during which no rent is paid.

The initial minimum base rent is the greater amount of either \$5,931.95 per month, based on 2,459 square feet, or 7% of all gross sales. The Lease provides for an annual adjustment of 2% to the minimum base rent.

Hidive made a significant initial capital investment into Port property in 2003. The total project costs at that time were estimated to be \$289,860.

Hidive made a second significant capital investment of approximately \$292,511. This second construction project included a complete reconstruction and completion of two ADA compliant bathrooms, re-grading of the entrance-way landing and a portion of the interior floor, constructing of an outdoor public seating area and installation of bike racks, required under a San Francisco Bay Conservation and Development Commission ("BCDC") Permit, that was necessary to allow the construction of the outdoor patio area. Hidive is not seeking rent credits for this construction but desires additional term during which to amortize the costs.

The proposed Lease requires compliance with Port of San Francisco Rules and Regulations for Restaurants, which include, among other guidelines, the management of fats, oils and grease that can enter the City's sewer system ("FOG Program"). The FOG Program is a City-based program aimed at eliminating fats, oil, and grease from being introduced into the City's combined sewer system.

The FOG Program requires Hidive to adopt Best Management Practices to control the introduction of fats, oils, and grease into the City's Sewer System. By controlling the introduction of these substances into the sewer system, the Port can realize savings by minimizing maintenance expenditures to address downstream sewer issues that are the responsibility of the Port.

## **III. Retail Leasing Policy**

Under the Port's Retail Leasing Policy (adopted in 1993 by the Port Commission by Resolution No. 93-52), it is the policy of the Port Commission to competitively bid retail leasing opportunities. Retail business at the Port is defined to include such operations as restaurants, galleries, ship chandlery, souvenir shops, parking lots and excursion vessel operations. The Retail Leasing Policy reaffirms the Port's commitment to foster and encourage full and equitable opportunities for leasing retail sites on the waterfront through community outreach and a competitive RFP process.

The Retail Leasing Policy does, however, also allow for direct sole source negotiations of leases with existing retail tenants, if the benefits of direct negotiations exceed the





benefits of a public offering. The Retail Lease Policy permits the Port to enter into long-term leases with an existing retail tenant provided that the tenant develops a sound business plan and strategy for capital investment in the leased premises warranting the term length and provided further that the Port Commission determines that:

1. The tenant is in good standing; and
2. The tenant is committed to making significant capital investment supported by a sound business plan which will benefit the Port and the tenant currently has a month-to-month lease or has a lease term insufficient to support its business plan; and
3. The tenancy is in the best economic interest of the Port and the tenant is the best economic tenant available based on sales and revenues to the Port, rent comparables and stable growth pattern and the benefits of direct negotiation outweigh the benefits of competitive bidding; and
4. The tenant has a good record of non-discrimination in its hiring and retail practices and is committed to adhering to a program of non-discrimination during the term of the proposed lease.

Port staff has reviewed Hivive's proposal and determined that Hivive meets the criteria found in the Retail Leasing Policy as described below.

1. Hivive has been a tenant in good standing during its tenancy.
2. Hivive's current lease (L-13516) will expire on August 31, 2012. The current lack of term in the existing lease does not allow Hivive the business opportunity to amortize the approximately \$289,860 in improvements into the premises to upgrade the two ADA compliant bathrooms, create barrier-free paths of travel by re-grading entrance landing and interior floor, and construct the outdoor patio that increased the restaurants seating capacity by 25%.

In exchange for Hivive's second sizeable investment, and upon approval from the Port Commission, the Port will grant Hivive (i) a sole-source business opportunity and (ii) an extended lease term of six and one half years. Aside from the three months of retroactive construction free rent period, it is not now, nor will it ever be, the Port's intention to also grant rent credits or other financial assistance in consideration of these improvements.

3. There are substantial and quantifiable benefits to direct negotiations with this existing tenant. Hivive has made two significant capital investments in Port property within a predetermined timeframe as required by the proposed lease. Hivive has established a proven track record and successful restaurant formula.

A survey of like-situated Port restaurants in the vicinity indicates that the initial rent proposed in the Hivive lease, the greater amount of either the minimum of





\$5,931.95, or \$2.41 per square foot, or 7% of gross sales, is in line with the current market conditions.

4. Hivive is committed to non-discrimination in its hiring and retail practices and is committed to adhering to a program of non-discrimination during the term of the proposed lease. According to Hivive, they currently provide 10 to 12 jobs to the City's economy.

#### **IV. Analysis**

Hivive currently pays the greater of minimum base rent in the amount of \$3,899.23 per month, or \$2.01 per square foot, versus 7% of all gross sales.

Under the terms of the new proposed Lease, Hivive will pay the greater amount of either \$5,931.95 per month, or \$2.41 per square foot, versus 7% of gross sales. The minimum base rent represents a 50% increase over the existing monthly rent. It should be noted that the proposed Lease incorporates the outdoor seating patio area into the premises therefore increasing the premises square footage and corresponding seating area by 25%.

The Lease deletes Section 4.2 of the Port boiler plate Lease. This section allows the Port to terminate a lease early if the premises are needed in connection to a Port development project. Staff agreed to this modification for the following reasons, (i) the Port does not anticipate that this location will be needed for a Port project during the term of the Lease, (ii) the tenant is making a large capital investment into Port property, and (iii) because a restaurant use is a trust consistent use under the Burton Act.

The initial minimum base rent was determined by taking the previous year sales of \$1.35 million and multiplying that amount by the percentage rent of 7% then multiplying that amount by 85% of the anticipated total rent. This is a common and standard industry methodology in determining initial base rent for retail leases.

During the current reporting period between November 2009 and October 2010, Hivive reported sales of \$1.5 million. During the same period Hivive paid a total rent of \$102,291 per year, or an average of \$8,524.25 per month, or \$52.81 per square foot per year. Hivive's per square foot rent paid to the Port as compared to other Port restaurants on a rent square foot basis demonstrates that Hivive is in the upper tier of Port performing restaurants.

Port staff anticipates a direct and corresponding increase in Hivive sales as a result of its investment in the premises. First, the addition of the outdoor seating area has significantly increased Hivive's capacity to serve more customers, resulting in additional revenue to the Port; and second, by creating a more accessible inviting restaurant atmosphere for its customers. The Port believes that both of these improvements have enhanced sales and therefore revenue to the Port.



<b>LEASE TERMS:</b>	
<b>Tenant:</b>	Sitting By, doing business as Hivedive, Inc. a California Corporation.
<b>New Lease Number:</b>	L-14887
<b>Premises:</b>	Approximately 2,459 square feet of improvements located at Pier 28½.
<b>Lease Commencement Date:</b>	Upon lease approval by the Port Commission and final execution by Port, anticipated by March 1, 2011.
<b>Rent Commencement Date:</b>	Anticipated June 1, 2011
<b>Lease Expiration Date:</b>	Eight years from Commencement Date; anticipated May 31, 2019.
<b>Renewal Option:</b>	None.
<b>Minimum Monthly Base Rent:</b>	\$5,931.95
<b>Rent Adjustment</b>	2% on each anniversary of the Rent Commencement Date.
<b>Percentage Rent:</b>	7% of all gross sales.
<b>Use:</b>	Casual full service restaurant.
<b>Security Deposit:</b>	Tenant shall provide a Security Deposit equal to two (2) month's Base Rent due in the eighth year of Lease.
<b>Termination By Port:</b>	Early termination of the lease by the Port in connection to a Port project is deleted.
<b>As Is:</b>	The Premises shall be accepted in "as is" condition.
<b>Tenant Improvements:</b>	Tenant improvements in the amount of \$289,860 have been completed and tenant will have a retroactive 90 day free rent period under Port's Standard Work Letter.
<b>Additional Required Tenant Improvements:</b>	Tenant is required to perform improvements to the premises which benefit the Port in the amount of \$20,000 within 60 months from the commencement of the Lease. These Improvements were required by Section 13.8(d) of prior Lease.
<b>Utilities:</b>	Tenant's sole responsibility.
<b>Insurance:</b>	Tenant shall provide standard insurance coverage acceptable to Port and City Risk Manager.



<b>City Requirements:</b>	The lease includes provisions requiring Tenant to comply with all applicable City laws, including but not limited to, Non-Discrimination, First Source Hiring, Health Benefits Coverage, Limitation on Contributions, Prevailing Wages and other applicable laws.
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## **V. Staff Recommendation**

Port staff recommends that the Port Commission adopt the resolution approving Lease No. L-14887 for a term of eight years between the Port of San Francisco and Sitting By, doing business as Hivedive, a California Corporation, and upon the effectiveness of such approval, execute the lease.

Prepared by: Jeffrey A. Bauer, Senior Leasing Manager

For: Susan Reynolds, Deputy Director of Real Estate





**PORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO  
RESOLUTION NO. 11-07**

WHEREAS, Charter Section B3.581 grants to the Port Commission the authority and duty to use, conduct, operate, maintain, regulate and control the lands within the Port jurisdiction; and

WHEREAS, pursuant to Port Commission Resolution No. 93-52, it is the policy of the Port Commission to competitively bid retail leasing opportunities; and

WHEREAS, the Port Commission provides for an exception to bidding retail leasing opportunities under the Retail Leasing Policy when 1) the tenant is in good standing; 2) the tenant is committed to making a significant capital investment in its leasehold which will benefit the Port; and 3) the benefits of direct negotiation outweigh the benefits of competitive bidding; and

WHEREAS, Sitting By, doing business as Hivive Inc., a California Corporation ("Hivive"), is a tenant in good standing, and Hivive has made improvements in the amount of \$289,860 that will benefit the Port and Hivive; and

WHEREAS, the Port Commission also requires the tenant to be a tenant in good standing with a sound business plan that requires a capital investment in its leasehold and the Tenant's current lease term is insufficient to support its business plan; and

WHEREAS, the Port and Hivive have completed lease negotiations and propose to enter into a Lease as outlined in the Staff Report accompanying this Resolution ("Lease"); and, now, therefore, be it

RESOLVED, that the Port Commission approves the Lease and authorizes the Executive Director or her designee to execute the Lease; and, be it further

RESOLVED, that the Port Commission authorizes the Executive Director to enter into any additions, amendments or other modifications to the Lease that the Executive Director, in consultation with the City Attorney, determines are in the best interests of the Port, do not materially increase the obligations or liabilities of the City or Port, and are necessary or advisable to complete the transactions which the Lease contemplates and effectuate the purpose and intent of this Resolution, such determination to be conclusively evidenced by the execution and delivery by the Executive Director of the Lease, and any such amendments thereto.

***I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 8, 2011.***

\_\_\_\_\_  
Secretary



SAN FRANCISCO BAY



PIER 28

PIER 26

THIS  
SITE

PIER 30

PIER 32

PIER 34  
(DEMOLISHED)

PIER 36

SF-OAKLAND BAY BRIDGE

THE EMBARCADERO

SWL 330

SWL 331

SWL 328

SWL 332

BEALE ST

BRANNAN ST

BRYANT ST

SPRUE

APPROVED BY  
SAN FRANCISCO PORT COMMISSION  
DATE

CHIEF HARBOR ENGINEER

SAN FRANCISCO PORT COMMISSION  
PORT OF SAN FRANCISCO  
DEPARTMENT OF ENGINEERING

SITTING BY, INC.  
dba HIDIVE

DRAWN BY: ECC  
CHECKED BY: J. BAUER  
DRAWING NO.

DATE: JAN 24, 2011

SCALE: NONE

SHEET NO.  
OF SHEETS



# **SAN FRANCISCO PORT COMMISSION**

**FEBRUARY 8, 2011  
MINUTES OF THE MEETING**

GOVERNMENT  
DOCUMENTS DEPT

FEB 18 2011

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**MEMBERS, PORT COMMISSION**  
**HON. KIMBERLY BRANDON, PRESIDENT**  
**HON. ANN LAZARUS, VICE PRESIDENT**  
**HON. FRANCIS X. CROWLEY**

**MONIQUE MOYER, EXECUTIVE DIRECTOR**  
**AMY QUESADA, COMMISSION SECRETARY**





# **CITY & COUNTY OF SAN FRANCISCO PORT COMMISSION**

## **MINUTES OF THE MEETING FEBRUARY 8, 2011**

### **1. CALL TO ORDER / ROLL CALL**

Commission President Kimberly Brandon called the meeting to order at 2:03 p.m. The following Commissioners were present: Kimberly Brandon, Ann Lazarus and Francis X. Crowley.

### **2. APPROVAL OF MINUTES - January 11, 2011**

ACTION: Commissioner Lazarus moved approval; Commissioner Crowley seconded the motion. All of the Commissioners were in favor; the minutes of the January 11, 2011 meeting were adopted.

### **3. PUBLIC COMMENT ON EXECUTIVE SESSION**

### **4. EXECUTIVE SESSION**

A. Vote on whether to hold closed session.

ACTION: Commissioner Lazarus moved approval; Commissioner Crowley seconded the motion. All of the Commissioners were in favor.

At 2:05 p.m., the Commission withdrew to executive session to discuss the following:

#### **(1) CONFERENCE WITH LEGAL COUNSEL REGARDING EXISTING LITIGATION MATTER.**

- a. Discuss existing litigation matter pursuant to California Government Code Section 54956.9(a) and San Francisco Administrative Code Section 67.10 (d) (1 case):

Molly M.D. Christensen v. City and County of San Francisco, San Francisco Superior Court Case No. CGC-10-499794. Proposed settlement of litigation alleging personal injuries and dangerous condition on Port property; the terms of the proposed settlement include Port's payment of \$40,000 and plaintiff's dismissal of litigation and full and final release of claims.

#### **(2) CONFERENCE WITH LEGAL COUNSEL AND REAL PROPERTY NEGOTIATOR. – This is specifically authorized under California**



Government Code Section 54956.8. ***This session is closed to any non-City/Port representative.\****

- a. Property: AB 4052; 4111, lots 3 and 4; also known as Pier 70 Waterfront Site, located near the intersection of 22<sup>nd</sup> Street and Illinois  
Person Negotiating: Byron Rhett, Deputy Director, Planning and Development  
\*Negotiating Parties: Build Inc., Forest City Development California, Mission Bay Development Group, San Francisco Waterfront Partners, TMG Partners and the Sobrato Organization, and United States, Department of Veterans Affairs, San Francisco Medical Center

## **5. RECONVENE IN OPEN SESSION**

At 3:15 p.m., the Commission withdrew from executive session and reconvened in open session.

ACTION: Commissioner Lazarus made a motion to adjourn executive session and reconvene in open session; Commissioner Crowley seconded the motion. All of the Commissioners were in favor.

ACTION: Commissioner Lazarus reported that the Port Commission approved the proposed settlement of litigation between Molly M.D. Christiansen v. CCSF.

Commissioner Lazarus made a motion not to disclose any information discussed in executive session. Commissioner Crowley seconded the motion. All of the Commissioners were in favor.

## **6. ANNOUNCEMENTS.** The Port Commission Secretary announced the following:

### **A. Announcement of Prohibition of Sound Producing Devices During the Meeting**

The ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic device.

### **B. Announcement of Time Allotment For Public Comments**



A member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

## 7. EXECUTIVE

A. Executive Director's Report: Executive Director Monique Moyer reported the following:

- Commendation for John Holt, Port Plumber, on his retirement

Ms. Moyer indicated that John Holt has decided to retire after 25 years as a City and County of San Francisco employee; 23½ of which he spent at the Port of San Francisco and the first year and a half he spent in the Department of Public Works (DPW).

According to Port Plumbing Shop Supervisor Dave Rauenbuehler, when John worked at DPW he was the in-house plumber for City Hall. He became Mayor Art Agnos' personal plumber by fixing the shower in his personal office. There is a shower in the mayor's office so the mayor could jog at lunch. Mayor Feinstein had used the shower for storage and it had become inoperable, so John worked his magic and fixed it for the Mayor Agnos. That's how he got his start and from there he moved to the Port and worked on an old tugboat until it was decommissioned. John was involved with a boiler that exploded from under the deck gas line at Pier 1½. He's seen a lot of good times and bad. He worked at Pier 46B, the Port's former maintenance yard, which is currently the Giants ballpark. John worked on the old drivers #2 and #3, and kept the steam systems operating so that the piles could be driven.

John was here when the Embarcadero had a half dozen belt railroad tracks and the seawall lots still had a few rail cars on them. Then the earthquake came and brought down the freeway, and John helped the Port get back on its feet by working on restoring earthquake-damaged utilities that served tenants along the waterfront.

John lived through three transportation projects that transformed the Embarcadero to its current palm tree-lined boulevard. He helped with the Port Maintenance move from Pier 46B to Pier 50 to accommodate the Giants ballpark. He has worked on the big water main at Pier 80 which was relocated to give way for the rail tracks for the Illinois Street Bridge.

John has worked underneath every pier that the Port maintains, repairing broken water mains and sewer piping that has served both tenants and Port staff since. John's retirement is very well deserved.





She congratulated and thanked him for having served the Port so well and he has been so creative and masterful, because everything is still working beautifully.

Commission President Kimberly Brandon read the inscription on the plaque and presented it to John Holt: In appreciation of your 25 years of hard work and dedication at the Port of San Francisco, March 1986 to March 2011.

Tom Meisenbach, superintendent of Port Maintenance, indicated that John has worked with him for the last 23½ years. He thanked him for his hard work and dedication. His expertise and his institutional knowledge is going to be sorely missed at the Port. The Port is losing a good man. We have so much appreciation for everything he's done.

Dave Rauenbuehler, plumbing foreman at the Port, indicated that John has worked with him for the last 18½ years. He runs the shop when he's not there. He'll be sorely missed. He's been a good friend.

Tom Carter, Port Maintenance Deputy Director, indicated that he's only been at the Port for six years but John always stepped in for Dave with a smile in very difficult times - pipes breaking under the pier while supervising at the same time. It has been a pleasure to work with him. He wished him all the best in the future and thanked him for his hard work and dedication at the Port.

John Holt indicated that it's been a pleasure to work at the Port and he appreciates everybody's comments.

Commission President Kimberly Brandon thanked Mr. Holt for his service to the Port.

- Warm Water Cove Park garden spring clean-up and wildflower planting, SF Green Trust and Port of SF – January 22, 2011

The annual Warm Water Cove Park Garden spring cleaning took place on January 22, 2011, which was a collaboration between the GreenTrust San Francisco and Port maintenance. They coordinated a wildflower seeding community event at Warm Water Cove with over two dozen volunteers including District 10 Supervisor Malia Cohen and her aide Megan Hamilton, volunteers from Burning Man and numerous families with children.

She thanked everyone in maintenance and particularly to the Port's gardeners, Rachel Sooter, Tai Trang, and Dan Lazarri who helped on the day of the event. Sheedy Drayage, the Port's neighbor, helped by



painting out some graffiti on their fence building, and they've been doing that now for a couple of years. Trans Bay Cable, a Port tenant, took down their fencing and cleaned up along their property line.

Donations were received from many: Recology donated compost soil. Piccino Cafe donated coffee. Good Life Grocery donated juice and snacks. Trans Bay Cable donated funds for the purchase of SF-native plants from HANC SF Native Plant Nursery. Flowercraft Garden Center donated end of season native and drought tolerant plants. Mr. and Mrs. Miscellaneous Ice Cream donated free ice cream for all that showed up.

It was a terrific event. We received some thank you notes from the community and the community turned out in great force and it's absolutely a wonderful place to go. She thanked everyone for coming out on January 22, 2011.

- Grand Reopening of the Maritime Museum – February 3, 2011

On February 3, 2011 the San Francisco Maritime Museum at Aquatic Park had a soft grand opening. The museum has been closed for a \$15 million museum and grounds renovation. The museum was originally established in 1951. It has now been refurbished and is gorgeous. The event last week was to promote itself to all kinds of event planners because it's going to take a while longer for the exhibits to be built out and the art and exhibits to go back in.

The facility is available for rental. It is going to be an amazing spot to watch anything related to the America's Cup. They will do very well in renting the facility out. We're very proud of them.

- Fisherman's Wharf Merchants Association's 8<sup>th</sup> Annual Crab Feed Dinner & Silent Auction – February 10, 2011 @ Neptune's Restaurant

The 8th annual Fisherman's Wharf Merchants Association's Crab Feed dinner and silent auction will be held on Thursday, February 10, 2011 at Neptune's Restaurant at Pier 39. The Merchants Association is honoring the family of the late Warren Simmons for their contributions to the rich history of Fisherman's Wharf. Mr. Simmons was connected with Pier 39 and very much involved in the vision and development of Pier 39. His family currently owns and operates the Simco Restaurant. It was a big loss when he passed away. We're looking forward to remembering him on Thursday.

- In Memoriam – Nick Larocco, retired Senior Port Wharfinger

Nick Larocco, a former Port staff, passed away on January 22, 2011



in New Orleans. He was only 64. It was just barely two years ago that he retired from the Port. He has unfortunately moved back to New Orleans and passed away a couple of weeks ago. He had been sick for a while but thankfully he received pretty good care when he passed. Nick spent 17 years with the Port of San Francisco as a senior wharfinger. He managed many of our commercial maritime piers, from cruise ships to fishing boats, ferries, excursions, Navy ships, etc. He was previously the Port agent at the Port of New Orleans and had been a Merchant Mariner and eventually relocated to San Francisco.

He was renowned for his love of LSU football, which was his alma mater where he apparently played the trumpet. He was fanatical about the Roman culture and loved to cook anything Roman and would regale us with what great meals he had discovered and/or cooked.

Nick was considered a great friend by all, so we are all very sad to hear of his passing and we hope he is in a better place. We miss him terribly.

## **8. CONSENT**

- A. Request authorization to advertise for competitive bids for the Roundhouse 2 HVAC Retrofit Project, construction Contract No. 2744. (Resolution No. 11-04)

ACTION: Commissioner Lazarus moved approval; Commissioner Crowley seconded the motion. All of the Commissioners were in favor. Resolution No. 11-04 was adopted.

## **9. FINANCE AND ADMINISTRATION**

- A. Request approval of resolution authorizing the Port Executive Director to execute a Memorandum of Understanding (MOU) with the Controller of the City and County of San Francisco to reimburse the Port for revenue lost due to hosting the 34<sup>th</sup> America's Cup and for race related costs. (Resolution No. 11-05)

Elaine Forbes, Deputy Director of Administration and Finance, indicated that this item is a request for approval of a resolution to authorize the executive director to execute a memorandum of understanding between the City Controller and the Port Commission. The 34<sup>th</sup> America's Cup will generate significant benefits to the region -- \$1.4 billion of economic activity and at least \$19.5 million in additional tax revenues to the city and 9000 jobs.





Early on in the city's work to secure the bid to host the event, we recognized that the economic benefits wouldn't be confined to the Port but instead would accrue to the city overall, and in light of the cost that would accrue to the Port, the Mayor's Office proposed and the Board of Supervisors approved in principle the city's use of the General Fund and America's Cup organizing committee [ACOC] fundraising to reimburse the Port for lost revenue as a result of the event, to reduce the project shortfall in the first phase of the cruise terminal project, and to fund the Port's other project costs.

The proposed MOU memorializes this agreement. The MOU provides for the reimbursement of lost rent, which based on our estimates will total \$6.7 million over three fiscal years. The payment is structured to neutralize any potential effect of the 34<sup>th</sup> America's Cup on our rental revenue, while reducing the city's liability. Since the revenue from relocated tenants and increases in percentage rent will be a reduction in the city's payment to the Port.

Because the MOU relies on Charter Section B7.320, the payment in lieu of rent is essentially a budgetary set-aside once this MOU is approved. The MOU provides for the City's contribution to the cruise ship terminal of \$6.5 million. The project is also planned for new Port debt of \$15 million. As previously reported to the Port Commission on December 14, 2010 on this project, those two sources leave a project shortfall of approximately \$14 million to core and shell. Port staff is working with DPW, the controller's office, the mayor's office, and other city agencies to understand the project's financing plan in the context of the America's Cup and the proposed MOU represents one avenue to address the shortfall.

The MOU also provides for contingent funding of other port expenses. As previously reported, we estimate there will be Port costs. It states that these costs will be reimbursed by private funds raised by the ACOC to the extent such funding is available. The ACOC has pledged to raise \$32 million to offset city expenses -- \$12 million by the end of 2011/12 and \$10 million in the next two fiscal years. It should be noted that the payments in lieu of rent are not intended to reimburse the Port for rent lost after the event is completed as a result of the legacy leases. These legacy leases will result in ongoing Port revenue reductions beginning in fiscal year 2014/15, and it will consequently reduce our debt capacity between \$20 million and \$34.3 million depending on the number of sites that are legacy leases.

We will be deploying several strategies to rebuild this debt capacity for the important projects described in the report, including reducing our operating expenses, programming our existing capacity to fund the most economically viable projects and delivering these projects timely, and



looking for other public investments for public-serving waterfront projects.

Staff recommends the Port Commission approve the attached resolution with one amendment in the final Resolved clause: Strike the words "in consultation with the city attorney." The Port Commission secretary has provided a copy of the revised resolution to the Commission. Port staff believe this is a fair proposal reflecting the citywide coordinated partnership led by Office of Economic Workforce Development and the Mayor's office to deliver this important project to the region.

Dan Chow, employee of the Dutra Group, indicated that the Dutra Group is the marine construction and dredging firm that's responsible for some of the waterfront maintenance dredging. They will be responsible for rebuilding the West Marina, another city project which ties in with the America's Cup. The central issue is the agreement between the city and the Port with respect to the issue of potential revenue loss. Being a contractor, they think of revenue loss in terms of downtime associated with repairs and improvements. To the extent that is something that bears on downtime, he'd like to get a clarification as to what the process will be in terms of the Port's review and consent of the various activities which may lead to some revenue loss.

Executive Director Monique Moyer reiterated Mr. Chow's question if Port staff will be involved in the decisions that affect the loss of revenues to the Port. The answer is yes. Port staff has already been involved in the negotiation of the host city agreement. Much of those revenues are from the use of Port assets, which will be part of either the venue leases for the event or the long-term development leases if they go forward at a later date. The Port Commission will be approving those venue leases and the long-term development. To the extent that the charter is triggered, the Board of Supervisors will also need to approve those leases.

Executive Director Monique Moyer underscored that what is in the staff report and what is contemplated by the MOU are approximations and/or estimates at this point in time, but there is a mechanism identified in the MOU for which actual numbers would be analyzed and offset by revenues we earn.

ACTION: Commissioner Lazarus moved approval of resolution as amended; Commissioner Crowley seconded the motion. All of the Commissioners were in favor. Resolution No. 11-05 was adopted.

- B. Informational presentation on the Port's Proposed Biennial Operating Budget for Fiscal Years 2011/12 and 2012/13.



Elaine Forbes, Deputy Director of Administration and Finance, indicated that this is the Port's second biennial budget. Port staff treated the approved budget from last year as a baseline, and looked to all the needs of the current year and made recommendations to respond to those needs.

For the first year of our proposed operating budget, FY 2011/12, staff is projecting very modest revenue growth. The revenue budget is \$69 million or \$2.2 million more than in the current year. The \$2.2 million includes \$500,000 for shoreside power for cruise ships, which is reflected in the same amount on the expenditure side for the PUC work order. The real revenue increase is \$1.67 million or 2.5 percent from the current year. This is a lower estimate of revenue growth than our recent trends.

First and foremost, parking revenue estimates resulting primarily from the parking meter pay stations that accept credit cards is a driver of the growth. Harbor services, because of a new lease agreement with the SF Bar Pilots and the expiration of rent credits. Cargo, cruise and fishing revenues have positive estimates due to the likely retention of our current vessels. Increased cruise calls from 42 to 47, and from adjustments in dockage and fishing industry rents.

This is offset by a reduction in the commercial and industrial rents. This is primarily as a result in FY 2011/12 of planned vacancies from some large tenants. Notably, projections include decreases in our base rents from planned vacancies and assumed development projects and from the America's Cup offset by the in lieu of rent payment.

Increases in our percentage rent estimates based on current year actuals. This is really good news and it's a great trend for us to see because it's an early indicator of an improved economic climate for our retail tenants, which most certainly will be continued under the proposed 34<sup>th</sup> America's Cup project.

The commercial rents make up almost 60 percent of our total revenue, and if the MOU is approved by the Board of Supervisors it will be governed by those terms. Increases to percentage rents above the baseline will reduce the city's in lieu payment, which means that our revenues will remain fairly flat during the America's Cup event.

A final notable reduction is on interest investments, based on actual interest earnings for the first half of the current year, which reflect continued problems with economic recovery. It's only 1 percent based on current year yields. To address this modest revenue growth without impacting our current staffing levels, management made the decision to significantly reduce funding for annual projects; to focus on implementing





projects already underway, and to defer or delay certain IT projects in particular; to reduce the cost of work orders to other departments to reflect actual usage; to end some one-time projects; and, in rare instances, to reflect a reduction in the request of work.

This strategy allowed us to absorb an increase in labor cost driven almost solely by fringe benefit increases. It allowed us to fund four new critical operating positions. It allowed us to increase our debt service payment for the cruise terminal project for the \$15 million described earlier, while achieving an operating reserve of 16 percent of operating expenses, consistent with the 15 percent policy of the Port Commission.

As the Port Commission is well aware, Executive Director Moyer and her management team have strived to limit position increases to only those needs to address critical operational requirements. This budget is no exception. The four new proposed positions in the operating budget have one in engineering to address portwide under-pier utility replacement project which is very critically under-resourced. The three remaining positions are in the maintenance division. The first for a plumber to address water and sewer line breaks. The second is a maintenance planner for effective implementation of the computerized maintenance management system. The Port has put a good deal of resources into this project and we need to see it effectively implemented. The final and fourth position is a gardener position for maintenance of the Port's new parks, which the Port Commission approved last year. We're also proposing two position substitutions to reflect actual duties and responsibilities of those positions.

The overall sources and uses table, which is on page 2 of the staff report, demonstrates the strategies: modest revenue growth partially offset by increases to the operating expense budget, an increase to the operating reserve of \$643,000, and with an overall result for a proposed budget of \$89.9 million which is 4.5 percent or \$3.9 million increase from the current year.

The increase in the capital budget is \$2.4 million to a \$13.1 million capital program, but it's primarily funded through a de-appropriation in the current year and from two payments of the Trans Bay Cable.

The second year of the proposal, FY 2012/13, is more challenging for Port staff because the revenue growth is flatter, only \$453,000 or 1 percent. That flat revenue growth is met with larger labor increases, \$2.1 million, as a result of the end of the negotiated economic package consisting of 4.62 percent in salary reductions. That will expire at the end of next year. Combined with that, we have the full year of debt service for the cruise terminal project.



We cannot deploy the same strategies that we deployed in the budget year to reduce operating expenses without significant impacts to the Port, so those remaining annual projects cannot be reduced much further. Also in terms of the work orders, we would need to work with other departments to negotiate those reductions because they would be reductions in service, and we're aware that the General Fund is facing quite a shortfall.

As a result, the operating budget is \$69.8 million or a \$2.9 million increase, 4.4 percent from FY 2011/12. The proposed operating budget is \$262,000 more in expenses than in proposed revenue; this is a small difference, and it is proposed to be funded from the Port's fund balance. Notably we're still meeting the operating reserve of 15 percent. Since this is a second year and is subject to Port Commission and Port staff review again, we may be able to shrink that so our revenues are larger than our operating expenses.

Following the Port Commission's action on February 22, 2011, the budget goes to Mayor Edwin Lee's budget office, which will then be submitted to the Board of Supervisors the first of May for final consideration on or about July 31, 2011.

This is an iterative process. This is a proposed budget that is going to be subject to change. This budget does not include the cost of data consolidation, which is a citywide IT project, because those costs have not been developed. It also does not include the Port's proposed costs for the America's Cup; those costs are under review by the Mayor's office and will be budgeted separately.

Commissioner Lazarus indicated that last year was the first year the Port did a two-year budget. She was curious how 2011/12 now compares to what we thought was going to happen in 2011/12 last year.

Elaine Forbes replied that three new positions were added to the budget. We have fringe rate increases that are higher than we expected. We also are adding new debt for the cruise terminal and we cut our annual projects more than we had anticipated, and also a reduction in those work orders that were for one-time uses or to reflect the actual spend rates of the other city departments.

Andres Acevedo, Finance Division, added that primarily the drivers have been the fringe benefit costs which have been going up significantly and also some additional costs in some of the IT costs as we've been rolling in some new infrastructure and updating the infrastructure portwide. There are some additional ongoing maintenance costs and this year we've included some additional changes to infrastructure because as we were going through the year we found we were having some issues that



we needed to upgrade them. Those costs weren't included. We've held the costs on some of the work orders; we're going to be more aggressive working with the city on holding the line on some of the work order costs and trying to get them more trued up to actual expense. Those were the major drivers between the FY 2011/12 that we presented last year and what we're presenting today.

Commissioner Lazarus asked if it was a useful exercise to have done it last year and then used that because as Elaine mentioned, a lot of 2011/12 was actually based on 2010/11.

Elaine Forbes replied that it's a useful exercise in knowing where we're headed. It was very useful to see that the second year of this biennial budget was going to present more problems for us. It helped us to hone in on the strategy to balance the budget year. It's always very good to know where you're headed, but it will also be subject to change.

Ms. Moyer added that since we are once again in the debt market as of a year ago, and hope to be for the cruise ship terminal, it's very important for our investors and our credit analysts to see where we think we're going. She personally finds it alarming but it was a useful exercise.

Commissioner Brandon indicated that she was in a meeting this morning with the Mayor's office going over the budget deficit from the General Fund, and someone from one of the enterprise agencies asked the question, "Why does an enterprise agency have to cut, when it doesn't affect the General Fund at all?" She can't remember the exact response from Mayor Lee, but the person who asked the question said, "I ask this every year, and that's the best response I've ever heard." We have to do our part also to help the city. She appreciates the fact that the Port is doing more with other city departments to help ease the General Fund. She thanked everyone for their hard work.

Ms. Moyer stated that one of those initiatives last year was the project management of the cruise ship terminal, which will continue. We will still look for those opportunities but as we cut our capital budget, they get cut as well.

C. Informational presentation on the Port's Proposed \$21.7 Million Capital Project Budget Funding for Fiscal Years 2011/12 and 2012/13.

Elaine Forbes, Deputy Director of Administration and Finance, indicated that the capital budget the Port is proposing for fiscal years 2011/12 and 2012/13 totals \$21.66 million. \$13.1 million for capital projects in fiscal year 2011/12 and \$8.55 million for capital projects in fiscal year 2012/13. This capital budget is largely a repair and replacement budget, and does not begin to address the Port's needs. We certainly could use much





more, and the proposed budget allocates our limited resources in the most efficient way possible. To ensure this efficient resource allocation over the past several months, the Capital Working Group has reviewed and scored all the project requests from the divisions, using new scoring criteria that were developed specifically for the Port's 10-year capital plan.

Overall the criteria is intended to direct funding to projects that address a safety, health code, or regulatory issue or threaten the environment; significantly reduce the liability to the Port; promote commerce, navigation or fisheries; attract people to the waterfront; promote natural and cultural resources; and leverage other sources of funds.

For the first time, the two-year proposed capital budget is aligned exactly with the 10-year capital plan. This budget reflects those capital projects that scored the highest. Like the Port's operating budget, Port staff treated the approved 2011/12 budget as a baseline. The details of the differences from the budget approved in March of last year from the current proposal are detailed in Exhibit 1 of the staff report.

The two primary reasons we needed to make the changes were: New funding needs arose, specifically for the drydock removal; for the emergency capital project fund, which fell below the \$500,000 threshold, which is too low given the level of our emergencies; and \$500,000 to fund a portion of the match requirement for dredging of the central basin. The other reason we had to change the budget from what was approved is last year Port staff assumed \$12.5 million in available funding and that's \$2.7 million less than we have. So in light of these changes, Port staff developed a de-appropriation solution worth \$2.2 million which means reducing funding levels for several approved capital projects.

In most cases the reductions reflect project timing, and so the funds will be restored in fiscal year 2012/13. Port staff is also proposing to fully or partially defund six capital projects because the projects are complete, they have reduced scopes and required less funding, or there are grant funds available.

The sources for the FY 2011/12 capital budget totaling \$13.1 million include \$9.8 million in available funding, the deappropriation proposal of \$2.2 million and two years of payment for the Trans Bay Cable equaling \$1.1 million. For fiscal year 2013, we have a much smaller capital budget of \$8.55 million. That reflects what we estimate will be our available funding and the Trans Bay Cable payment.

The proposed projects are as follows: The Port's maintenance dredging program for the next two years, a portion of the local match for dredging of Central Basin to be completed by the Army Corps of Engineers, a



cleanup of the historic building located at Pier 70, replacement of the high mast fixtures at Pier 94/96, and major maintenance of the Port's rail track located in the southern waterfront. The proposed capital budget also includes funding for initial phase to study an infrastructure plan for Pier 70. Also included, disposal of the drydock to make physical improvements to Port facilities for disability access, to install a new forced sewer main in Amador Street, open space and alternative energy projects that meet the guidelines outlined in the Trans Bay agreement, greening and beautification projects at the southern waterfront, renovation of an existing building to house the Port's Fisherman's Wharf harbor office and SFPD marine unit, and funding for capital improvements that we need to make for leasing reasons. There are also many repairs and replacement needs included in this budget from our emergency fund to our pier structures, to sewer pumps, floats and fenders, to upgrading of our elevators and escalator systems.

We are very aware that the allocation of resources across the waterfront and the distribution of our proposed expenditures over two years in Fisherman's Wharf and the northeast waterfront is about 33.6 percent, which includes dredging; Ferry Building and south area at 3 percent; the southern waterfront at 20.9 percent, and portwide uses at 42.5 percent.

Port staff will seek Port Commission approval at its February 22, 2011 meeting and thereafter, it will be submitted to Mayor Lee's office as well as the city's capital planning committee.

## **10. ENGINEERING**

- A. Request approval of the Executive Director's nomination of Gary Hoy, Sagiv Weiss-Ishai, Hanson Tom, Joy Navarrete and Brad Wilson to the Port Building Code Review Board. (Resolution No. 11-06)

John Aires, Senior Building Inspector, indicated that the Building Code requires the Port to provide a port building code review board to hear public appeals related to building code interpretations made by the Chief Harbor Engineer. Section 105A of the code defines the process and the selection and appointment of the review board members. Five members are required on the board. The members must be recommended by the Port Executive Director, and the recommended individuals must be approved and appointed by the Port Commission. The requirements for membership are split into two categories: technical and nontechnical.

Technical members are required to be certified building officials or registered as structural architectural utility or fire protection engineers. Nontechnical members are required to have either technical skills or work experience related to construction. Both technical and nontechnical members must be employed by the city and county of San Francisco.



Three members including a minimum of two technical members are required to form a quorum, and an affirmative vote by three or more members is necessary for the review board to take an action. The maximum term allowed for board members is three years.

Section 105A of the building code limits the basis of appeals heard by the review board to the granting or denying of any permit or revoking or refusing to revoke any permit under the current edition of the Port San Francisco building, mechanical, electrical, and plumbing codes; any order of the Chief Harbor Engineer involving construction methods, assemblies or materials, or where safety is involved; and any order or abatement resulting from a Chief Harbor Engineer hearing and any notice of violation order issued pursuant to Section 102A of the Port Building Code. The review board is not responsible to hear appeals related to the enforcement of barrier-free design or physical accessibility.

The term limits of the current Port Building Code Review Board have expired. During that review board's three-year term, only one appeal was filed. That case had no action taken due to the lack of three or more affirmative votes on the matter.

For a new term starting today, the Port Executive Director has nominated four of the existing board members for reappointment, and one new individual for appointment to the following positions. The recommendations for the technical board members are Gary Hoy, a California registered architect employed by the Department of Public Works Bureau of Architecture; Sagiv Weiss-Ishai, a California registered fire protection engineer employed by the San Francisco Fire Department; and Hanson Tom, a California registered civil and structural engineer employed by the San Francisco Department of Building Inspection.

The nontechnical board member recommendations are Joy Navarrete, an environmental planner employed by San Francisco Planning Department; and Bradley J. Wilson, a California registered engineer employed by San Francisco Public Utilities Commission. The new nominee is Sagiv Weiss-Ishai. Mr. Weiss-Ishai graduated from Maryland College in 2002 and worked as a consulting fire protection engineer in the private industry until October 2007 when he filled his current position as a fire protection engineer with the San Francisco Fire Department.

Mr. Aires requested Port Commission's authorization to approve and appoint the five individuals nominated by the Port Executive Director to serve as successor Port Building Code Review Board members for a maximum term of three years.





ACTION: Commissioner Lazarus moved approval; Commissioner Crowley seconded the motion. All of the Commissioners were in favor. Resolution No. 11-06 was adopted.

## 11. REAL ESTATE

- A. Request approval of Lease No. L-14887 with Sitting By, doing business as Hi Dive for an Eight Year Restaurant Lease for Premises Located at Pier 28½.  
(Resolution No. 11-07)

Jeff Bauer, Port Leasing Manager, indicated that in 2002, following the termination of the Boondocks, run by J. Kennedy, the Port sought a new restaurant operator through the competitive bidding process. This process concluded in 2003 with Sitting By doing business as Hidive as the highest qualified bidder. The lease was approved by the Port Commission on August 12, 2003. The initial lease provided a term of 9½ years with an initial rent based on the greater amount of either the minimum rent, which at the time was \$3,389, or 6.5 percent of gross sales. The percentage rent was raised to 7 percent, as was negotiated in the lease, on the second anniversary date. The initial investment that Hidive put into the premises was \$289,000, and it was completed in 2003.

In 2009, Hidive constructed an outdoor dining, approximately 522 square feet, located on the north side of the restaurant. This premises is currently under a separate license and rent is paid on a percentage basis which is 7 percent of the gross sales attributed to that area. The cost of this construction was \$138,000. The value of these improvements triggered the requirement for 100% ADA code upgrades. Hidive undertook these upgrades, which were prioritized by the Port building inspection. They reconstructed the bathrooms. The existing ADA bathroom and the unisex bathroom constructed in 2003 required 100% upgrade to current ADA standards and the entrance way landing and a portion of the interior floor required 100% compliance with ADA standards for accessible paths of travel. Now they have two ADA-compliant bathrooms and a resurfaced entrance way landing and interior floor to provide a barrier-free path of travel from entering the restaurant to the outdoor seating area.

In addition, they received a permit from the Bay Conservation Development Commission for the outdoor seating so they installed public seating and trash receptacles. This portion of the upgrade was \$154,000, bringing the total investment into Port property to \$289,000. This was their second large investment.

Hidive, prior to the completion of the improvements, requested a term extension to help amortize these costs. The 1993 Retail Leasing Policy



offers a sole source leasing opportunity to Hivedive. Port staff determined that Hivedive qualify under the 1993 policy and they are a tenant in good standing. Their lease term expires August 31, 2012; therefore, they don't have enough term left on their lease to amortize the second cost.

In exchange for this second investment and upon Port Commission's approval, Port staff is requesting a sole source business opportunity with Hivedive. It will extend the term of the lease for 6½ years to give Hivedive additional term to amortize the costs. Aside from their retroactive construction period of three months that the Port is offering, there are no other concessions. There will be no other rent credits.

There are substantial reasons why the Port should continue this lease with Hivedive. They're a proven tenant. They're in the top tier of rent-producing restaurants. Hivedive is in one of the top tiers of our portfolio per square foot. They're a very cooperative, excellent tenant.

Hivedive's premises is approximately 2459 square feet, with the addition of the outdoor seating area. The minimum monthly rent will be \$5,931, which represents a 50 percent increase to the base rent. There is a 2 percent annual adjustment and gross sales are at 7 percent.

ACTION: Commissioner Lazarus moved approval; Commissioner Crowley seconded the motion. All of the Commissioners were in favor. Resolution No. 11-07 was adopted.

## **12. NEW BUSINESS**

## **13. PUBLIC COMMENT**

Corinne Woods, member of the board of directors of the Mission Creek Conservancy, which is a 501(c)(3) corporation that has been working to fix up Mission Creek native planting, indicated that they worked very diligently to persuade the Mission Bay developer that they needed to look at the creek as more than just a sewer when they were building Mission Bay. From what can be seen now and what the neighbors around Mission Creek are saying, it was a successful project because of the beautiful planting around the creek. There are some nice parks and they're building more. Ms. Woods announced the publication of the second edition of Vanished Waters, a book originally written by Nancy Olmsted in 1986. This is an opportune time to let people know the real history of Mission Bay. It was a 300-acre bay. It's been filled in over the years. Due to Nancy Olmsted's poor health, she wasn't able to update the book. However, they were able to persuade Chris Carlson, a City historian, to do the updates. The history section around native occupation in Mission Bay and the natural history section have been expanded. She gave a copy of the new book to the Port. There will be several book events coming up soon which the Port is invited to attend.



#### **14. ADJOURNMENT**

ACTION: Commissioner Lazarus moved approval to adjourn the meeting; Commissioner Crowley seconded the motion. All of the Commissioners were in favor.

Commission President Brandon adjourned the meeting at 4:10 p.m.





# SAN FRANCISCO PORT COMMISSION

Kimberly Brandon, President  
Ann Lazarus, Vice President  
Francis X. Crowley, Commissioner

Monique Moyer, Executive Director      Amy Quesada, Commission Secretary  
Phone: 415-274-0400; Fax: 415-274-0412      Phone: 415-274-0406; Fax: 415-274-0412

## AGENDA

TUESDAY, FEBRUARY 22, 2011

1:45 P.M. CLOSED SESSION

2:45 P.M. OPEN SESSION

PORT COMMISSION HEARING ROOM, SECOND FLOOR  
FERRY BUILDING, SAN FRANCISCO, CA 94111

### PLEASE NOTE THE TIME OF THE MEETING

*The Port Commission Agenda as well as Staff Reports/Explanatory Documents available to the public and provided to the Commission are posted on the Port's Website at [www.sfport.com](http://www.sfport.com). The agenda packet is also available at the Pier 1 Reception Desk.*

*If any materials related to an item on this agenda have been distributed to the Port Commission after distribution of the agenda packet, those materials are available for public inspection at the Port Commission Secretary's office located at Pier 1 during normal office hours.*

1. CALL TO ORDER / ROLL CALL
2. APPROVAL OF MINUTES - February 8, 2011
3. PUBLIC COMMENT ON EXECUTIVE SESSION
4. EXECUTIVE SESSION

A. Vote on whether to hold closed session.

An Executive Session has been calendared to discuss the following matters:

- (1) CONFERENCE WITH LEGAL COUNSEL REGARDING ANTICIPATED LITIGATION MATTER (Discussion & Action)
  - (a) Discuss anticipated litigation matter pursuant to Section 54956.9(b)(1) of the California Government Code and Section 67.10(d) of the City and County of San Francisco Administrative Code.

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DOCUMENTS DEPT

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PUBLIC LIBRARY



X As Defendant

Proposed Action: Approve the negotiated Lease Clarification and Settlement Agreement with Pier 23 Cafe, Inc. ("Tenant") resolving the annual rent reconciliations for years 2004 through 2009, including payment by Port of \$114,000 to Tenant's account and mutual releases for specified potential claims relating to those years; and clarifying the manner in which future annual rent reconciliations will be conducted, including limiting allowable exclusions from gross revenue; and including other terms as set forth in the Lease Clarification and Settlement Agreement on file with the Port Commission Secretary.

- (2) CONFERENCE WITH LEGAL COUNSEL AND REAL PROPERTY NEGOTIATOR. – This is specifically authorized under California Government Code Section 54956.8. **This session is closed to any non-City/Port representative.\***

- a. Property: AB 8719, Lot 002, also known as Seawall Lot 337, AB 9900, Lot 62, also known as China Basin Park, and AB 9900, Lot 048 and AB 9900, Lot 048H, also known as Pier 48 (all bounded generally by China Basin, the San Francisco Bay, Mission Rock Street, and Third Street)

Person Negotiating: Port: Byron Rhett, Deputy Director, Planning & Development

\*Negotiating Parties:

(1) San Francisco Giants, Wilson Meany Sullivan, The Cordish Company, Farallon Capital Management, LLC

Under Negotiations: \_\_\_\_\_ Price \_\_\_\_\_ Terms of Payment X Both  
The non-Port parties identified above have entered into an Exclusive Negotiation Agreement with the Port for the area generally known as Seawall Lot 337, China Basin Park, and Pier 48. In this executive session, Port staff will seek direction from the Commission regarding real estate negotiations for the Port property identified above.

## 5. RECONVENE IN OPEN SESSION

- A. Possible report on actions taken in closed session pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.
- B. Vote in open session on whether to disclose any or all executive session discussions pursuant to Government Code Section 54957.1 and San Francisco Administrative Code Section 67.12.



## **6. ANNOUNCEMENTS**

### **A. Announcement of Prohibition of Sound Producing Devices During the Meeting**

Please be advised that the ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic device.

### **B. Announcement of Time Allotment For Public Comments**

Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

## **7. CONSENT**

- A. Accept the Port's Second Quarter Contracting Activity Report – Fiscal Year 2010/11 for the October 1, 2010 to December 31, 2010 Reporting Period.
- B. Request approval of the Port's Biennial Operating Budget for Fiscal Years 2011/12 and 2012/13. (Resolution No. 11-08)
- C. Request approval of the Port's \$21.7 Million Capital Project Budget for Fiscal Years 2011/12 and 2012/13. (Resolution No. 11-09)
- D. Request approval to execute a contract modification to Contract No. 2738, Pier 19 Roofing and Minor Dry Rot Repair Project, with D.F.P.F. Corporation dba Fine Line Construction to extend the original contract duration of 120 days by an additional 34 days. (Resolution No. 11-10)
- E. Request authorization to execute a contract modification to Contract No. 2736, Marine Structural Project II, with Cowhey Pacific Drilling, Inc., to extend the original Contract duration of 200 days by an additional 113 days. (Resolution No. 11-11)

## **8. FINANCE AND ADMINISTRATION**

- A. Informational presentation regarding the annual update to the Port's 10-year Capital Plan for Fiscal Years 2012-21.

## **9. REAL ESTATE**

- A. Request approval of amendment to Sidewalk, Airspace and Curbspace Encroachment Policy (Resolution No. 06-48) and subsequent amendment





(Resolution No. 07-21) to delete the airspace encroachment permit requirement portion of the policy for those buildings on the south side of Jefferson Street between Powell and Hyde Streets. (Resolution No. 11-12)

## **10. PLANNING & DEVELOPMENT**

- A. Informational presentation on Response to Pier 70 Waterfront Site Request for Qualifications.

## **11. NEW BUSINESS**

## **12. PUBLIC COMMENT**

Public comment is permitted on any matter within Port jurisdiction and is not limited to agenda items. Public comment on non-agenda items may be raised during New Business/Public Comment. A member of the public has up to three minutes to make pertinent public comments before action is taken on any agenda item and during the new business/public comment period. It is strongly recommended that public comments be submitted in writing so they can be distributed to the Commissioners for their review. Please fill out a speaker card and hand it to the Commission Secretary. If you have any question regarding the agenda, please contact the Commission Secretary at 274-0406.

## **13. ADJOURNMENT**



## **FORWARD CALENDAR (Targeted Commission Meeting, Subject to Change)**

- Informational presentation of the *Street Pole Banner Criteria*, which would govern the design, placement, and fees for the placement of street pole banners within the jurisdiction of the Port of San Francisco (March 8, 2011)
- Informational update on the Seawall Lot 337 development project (March 8, 2011)
- Request approval of the annual update to the Port's 10-year Capital Plan for Fiscal Years 2012-21 (March 8, 2011)
- Request approval of Lease L-14495 with Hornblower Yachts, Inc., a California Corporation, for a Term of Five Years with One Five-Year Renewal Option, for premises located at Pier 9 consisting of approximately 1,198 square feet of unimproved pier shed, 7,243 square feet of apron space and 24,470 square feet of submerged land (March 8, 2011)
- Request approval of the Port of San Francisco's Proposed 2010 Retail Leasing Policy (March 8, 2011)
- Request approval of First Amendment to Lease No. L-14829 with Dawson-Clinton General Contractors Corporation, a California Corporation, to change the Commencement Date and Eliminate the Bonding/Guarantee Requirements for Construction of the Initial Tenant Improvements (March 8, 2011)
- Request approval of Consent to Sublease between Blue and Gold Fleet, L.P. and CUSA FL, LLC. for a four year term located at Pier 41 on the Embarcadero near the foot of Powell Street (March 8, 2011)
- Informational presentation on the Port's Maritime Preservation Policy (March 22, 2011)
- Informational hearing on City implementation of the Local Hire Program (March 22, 2011)
- Request authorization to award Contract No. 2741, Marine Structural Projects III, which includes the Pier 35 Superstructure Repair, Pier 33 Marginal Wharf Substructure Beam Repair, and the Pier 50 Valley Substructure Repair (March 22, 2011)
- Request approval to accept and expend 2007, 2008 and 2009 Supplemental Federal Port Security Grant Program Funds (March 22, 2011)
- Request approval to designate an Authorized Agent to apply for and accept funds from the Robert T. Stafford Disaster Relief and Emergency Assistance Act of 1988 and under the California Disaster Assistance Act (March 22, 2011)
- Request authorization to award Construction Contract No. 2727, Pier 43 Bay Trail Link Project (March 22, 2011)
- Request authorization to amend the Gerwick/SDE JV professional services agreement for the Pier 43 Bay Trail Link Project (March 22, 2011)
- Request for authorization to award Construction Contract for Contract No. 2744, Roundhouse 2 Heating, Ventilation and Air Conditioning (HVAC) Systems Retrofit Project (April 12, 2011)
- Request authorization to advertise for and accept competitive bids for the Joint Operations and Security Building Project, Contract No. 2745 (April 26, 2011)
- Request for authorization to award Construction Contract No. 2746, Five Year Maintenance Dredging Project (April 26, 2011)



- Request authorization to award Construction Contract No. 2732, Mission Bay Shoreline Protection for Bayfront Park Project (Date to be determined)
- Request approval of the Port's Interim Leasing Policy for Historic Structures (Date to be determined )

**COMMUNICATIONS TO THE PORT COMMISSION FROM FEBRUARY 4, 2011 TO FEBRUARY 17, 2011**

- From Dennis MacKenzie, regarding America's Cup





**MARCH 2011**  
**CALENDAR OF UPCOMING PORT MEETINGS – OPEN TO THE PUBLIC**

DATE	TIME	GROUP	LOCATION
March 8	2:00 p.m.	Closed Session/Port Commission	Port Commission Room
	3:15 p.m.	Open Session	@ Ferry Building
March 22	2:00 p.m.	Closed Session/Port Commission	Port Commission Room
	3:15 p.m.	Open Session	@ Ferry Building

**NOTES:**

The San Francisco Port Commission meets regularly on the second and fourth Tuesday of the month at 3:15 p.m., unless otherwise noticed. The Commission Agenda and staff reports are posted on the Port's Website @ [www.sfport.com](http://www.sfport.com). Contact Amy Quesada at 274-0406. The Port Commission meetings can be viewed online at [http://sanfrancisco.granicus.com/ViewPublisher.php?view\\_id=92](http://sanfrancisco.granicus.com/ViewPublisher.php?view_id=92). The Port Commission meetings are also broadcasted on the 2nd & 4th Thursday of the month at 9 p.m. on Comcast Cable Channel 26 or Astound Cable Channel 78 (formerly RCN Cable).

The Fisherman's Wharf Waterfront Advisory Group (FWWAG) meets regularly on a bi-monthly basis, on the third Tuesday of the month. The regular meeting time and place is 9:00 a.m. at Scoma's Restaurant, Pier 47 at Fisherman's Wharf. Contact Michael Nerney @ 274-0416 or [michael.nerney@sfport.com](mailto:michael.nerney@sfport.com)

Starting January 21, 2010, the Maritime Commerce Advisory Committee (MCAC) will meet every other month, on the third Thursday of the month, from 11:30 a.m. to 1:00 p.m. @ Pier 1. Contact Jim Maloney @ 274-0519 or [jim.maloney@sfport.com](mailto:jim.maloney@sfport.com)

The Mission Bay Citizens Advisory Committee meets on the 2nd Thursday of the month at 5:00 p.m. at 1700 Owens Street, 2nd Floor. Parking validation is available. Contact Catherine Reilly, San Francisco Redevelopment Agency, at [catherine.reilly@sfgov.org](mailto:catherine.reilly@sfgov.org).

The Northeast Waterfront Advisory Group (NEWAG) meets regularly on a bi-monthly basis on the first Wednesday of the month from 5:00 p.m. to 7:00 p.m. in the Bayside Conference Room @ Pier 1. Contact Jonathan Stern @ 274-0545 or [jonathan.stern@sfport.com](mailto:jonathan.stern@sfport.com)

The Central Waterfront Advisory Group (CWAG) meets monthly on an as-needed basis, generally on the third Wednesday of the month from 5 to 7 p.m. in the Bayside Conference Room at Pier 1. Contact Mark Paez @ 705-8674 or [mark.paez@sfport.com](mailto:mark.paez@sfport.com)

The Rincon Point-South Beach Citizens Advisory Committee meets on a quarterly basis (the FOURTH MONDAY OF JANUARY AND THIRD MONDAYS IN APRIL, JULY, and OCTOBER), starting at 5:00 p.m. at the South Beach Yacht Club (Pier 40 on The Embarcadero). Contact Catherine Reilly, Assistant Project Manager, Redevelopment Agency, @ 749-2516 or [Catherine.Reilly@REDEV/SFGOV@SFGOV](mailto:Catherine.Reilly@REDEV/SFGOV@SFGOV)

The Southern Waterfront Advisory Committee (SWAC) meets every last Wednesday of the month from 6:15 to 8:15 p.m. Location to be determined. Contact David Beaupre @ 274-0539 or [david.beaupre@sfport.com](mailto:david.beaupre@sfport.com)

The Waterfront Design Advisory Committee (WDAC) meets jointly with the Design Review Board of the Bay Conservation and Development Commission on the first Monday of the month at BCDC, 50 California Street, Rm. 2600, at 6:30 p.m. The Committee meets as needed on the fourth Monday of the month at 6:30 p.m. in the Bayside Conf. Rm. @ Pier 1. Contact Dan Hodapp @ 274-0625 or [dan.hodapp@sfport.com](mailto:dan.hodapp@sfport.com)



## **FERRY BUILDING:**

The Port Commission Hearing Room is located on the second floor of the Ferry Building. The main public entrance is from the west (Embarcadero) side and is served by a bank of elevators adjacent to the historic staircase. Accessible public restrooms are on the first floor at the northeast end of the building as well as on the second floor across the lobby from the Port Commission Hearing Room. The main path of travel to the Port Commission Hearing Room is equipped with remote infrared signage (Talking Signs). The Port Commission Hearing Room is wheelchair accessible. Accessible seating for persons with disabilities (including those using wheelchairs) is available. The closest accessible BART and MUNI Metro station is Embarcadero located at Market & Spear Streets. Accessible MUNI lines serving the Ferry Building area are the F-Line, 9, 31, 32 and 71. For more information about MUNI accessible services, call (415) 923-6142. The nearest accessible parking is provided in the following off-street pay lots:

- A) 3 spaces in the surface lot on the west side of the Embarcadero at Washington St.
- B) Hourly and valet parking in the Pier 3 lot. This lot is accessed through the Pier 3 bulkhead building entrance on the east side of the Embarcadero. This lot is located on the pier deck; adjacent to the ferry boat Santa Rosa.

Additional covered accessible off-street pay parking is available in the Golden Gateway Garage, which is bounded by Washington, Clay, Drumm and Battery Streets. Entrance is on Clay St. between Battery and Front Streets. There is no high-top van parking. Metered street parking is available on the Embarcadero, Washington, Folsom & Drumm Streets.

## **PIER 1:**

The Port's fully accessible offices are in the west end of Pier 1. There are two public entrances; the main entrance on the west (Embarcadero), and the Port History walk entrance on the south apron. Each of these entrances is provided with an automatically operated door. Both entrances lead to the Bayside conference rooms. Accessible public restrooms, drinking fountains, payphone and TTY are on the first floor near the main entrance. The public spaces of the Port's offices are equipped with remote infrared signage (Talking Signs) identifying all primary entrances, paths of travel, meeting rooms and amenities. Accessible seating areas and assistive listening devices will be available in the Bayside Conference rooms.

## **Accessible meeting information policy:**

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

A sign language interpreter and alternative format copies of meeting agendas and other materials can be provided upon request made at least 72 hours in advance of any





scheduled meeting. Contact Wendy Proctor, Port's ADA Coordinator, at 274-0592, the Port's TTY number is (415) 274-0587.

**Know Your Rights Under the Sunshine Ordinance:**

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For more information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Frank Darby by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102-4689; by phone at (415) 554-7724; by fax at (415) 554-7854 or by email at [sotf@sfgov.org](mailto:sotf@sfgov.org). Citizens interested in obtaining a free copy of the Sunshine Ordinance can request a copy from Mr. Darby or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at <http://www.sfgov.org/sunshine>.

**NOTICES**

**Prohibition of Ringing of Sound Producing Devices:**

The ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic device.

**Lobbyist Registration and Reporting Requirements:**

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (SF Campaign & Government Conduct Code Sections §2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness, Suite 3900, San Francisco, CA 94102, phone (415) 581-2300 or fax (415) 581-2317; web site: [www.sfgov.org/ethics](http://www.sfgov.org/ethics).







## MEMORANDUM

February 17, 2011

**TO:** MEMBERS, PORT COMMISSION  
Hon. Kimberly Brandon, President  
Hon. Ann Lazarus, Vice President  
Hon. Francis X. Crowley

**FROM:** Monique Moyer *M Moyer*  
Executive Director

**SUBJECT:** Second Quarter Contracting Activity Report - Fiscal Year 2010/11 for the  
October 1, 2010 to December 31, 2010 Reporting Period

**DIRECTOR'S RECOMMENDATION:** Informational Item – No Action Required

### INTRODUCTION

The purpose of this report is to provide regular reporting of the Port's contracting activities as legally required by the City and County of San Francisco through its Administrative Code and based upon policies and practices adopted by the San Francisco Port Commission.

### SUMMARY HIGHLIGHTS

This report includes: 1) legislative changes impacting Port contracting activities; 2) a summary of the Executive Director's use of her delegated authority under Port Commission Resolution No. 10-60; 3) 1<sup>st</sup> Quarter of Fiscal Year 2010/2011 Contracting Activities; 4) projected upcoming contracting activities; and 5) staffing changes for classifications that Local 21 represents. This report also includes more detailed information in the attached exhibits:

- Exhibit 1: Further background information describing the reasons for this report;
- Exhibit 2: Detailed Contracting Activity for 2<sup>nd</sup> Quarter FY 2010/11 and Cumulative Contracting Data for year to date; and
- Exhibit 3: Projected Upcoming Contracting Activity

**This Print Covers Calendar Item No. 7A**



## 1. Legislative Changes Impacting Port Contracting Activities

Approximately one year ago, Port staff provided an update on legislative changes impacting Port contracting activities. One of the Administrative Code legislative changes (Section 14(B)) described in this report amends a portion of the changes from a year ago. The other change (Section 6.22(G)) pertaining to local hiring represents new changes.

### San Francisco Administrative Code Section 14(B) Ordinance Amendment:

These changes essentially authorized an increase in the minimum competitive amount for general services contracts from \$100,000 to \$400,000. The subject ordinance amendment also provides clarification on various aspects of the ordinance amendment from one year ago and streamlines other aspects of the ordinance. There is minimal impact to the Port.

### San Francisco Administrative Code Section 6.22(G) Ordinance Amendment:

This ordinance amendment essentially takes an ordinance that had a good faith effort goal of 50%, that was not effective in gaining employment for local residents and establishes a mandatory local hire participation requirement forcing contractors to pay the City and County of San Francisco for not employing its residents in percentages that gradually increase over a seven year period. There is some potential impact to the Port's contracting activities.

## 2. Executive Director's Use of Delegated Authority

One contract was issued using delegated authority that permits the Executive Director to execute contracts up to \$400,000.

## 3. Local Business Enterprise (LBE) Participation/Second Quarter Contracting Activity

Cumulatively, the Port of San Francisco continues to surpass its LBE subcontracting participation goal of 20% with participation year to date of 30.95%. However, the ability to achieve our LBE subcontracting goals consistently each quarter fluctuates based upon the type of work contracted. This is to be expected, given the primarily marine oriented type of contracted work at the Port where the availability of LBEs is very limited. LBE participation during the second quarter for this fiscal year was at 29.62%, excluding dredging work, which accounted for \$1,230,347 out of \$3,145,652 total contracting activity for this reporting period or 39%. In addition to LBE subcontracting, the Port has extensive participation of LBEs as prime joint venture partners on Port contracts. The Port's Contract Administrator is starting to monitor these joint venture contracts to assure LBEs are utilized as required by contract.

## 4. Upcoming Contracting Activities

The Port projects that contracts totaling over \$76 million will be solicited over the next twelve months.



## 5. Local 21 Staffing Changes

During the current reporting period, there were six new hires/appointments and nine separations/vacancies at the Port.

### **DISCUSSION:**

Background information on the basis of this report's content is included in *Exhibit 1* to the Report. The following is a detailed discussion of the topics summarized in this report.

#### **I. Legislative Changes**

##### San Francisco Administrative Code Section 14(B) Ordinance Amendment

Similar to City and County of San Francisco Ordinance changes from one year ago, on December 14, 2010, the Board of Supervisors passed on first reading as amended and finally passed amendments as signed by then Mayor Gavin Newsom on January 4, 2011. These changes essentially authorized an increase in the minimum competitive amount for general services contracts from \$100,000 to \$400,000. The subject ordinance amendment also provided for the following:

1. Clarified ownership requirements for certification of local businesses with no single majority owner and made other clarifications to address certification of businesses under common ownership or with multiple locations.
2. Clarified requirements for setting aside contracts under the mandatory Micro-LBE Set Aside program;
3. To exclude contracts under the threshold amount or minimum competitive amount from good faith efforts outreach and documentation requirements
4. To simplify and coordinate reporting requirements
5. To re-authorize the Treasurer to negotiate financial instruments in support of the Surety Bond and Financial Assistance Program; and
6. To make technical corrections.

#### **Impact to the Port:**

The higher bid threshold amount for competitive procurement expedites the contracting process to assure that the Port's project needs can be met more quickly. Overall, the impact is minimal as the Port does not engage in many general service contracts other than janitorial services and unarmed guard security services. Theoretically, the cost of services would be reduced to reflect the elimination of the outreach requirements to bid Port contracts.

The ordinance still requires City departments to provide annual reporting to the Mayor and Board of Supervisors with regards to LBE goals and steps to ensure non-discrimination against MBEs, WBEs and OBEs. The ordinance still also requires City





Departments to cooperate with requests by the Human Rights Commission for information needed by the Human Rights Commission to make the reports to the Board of Supervisors.

San Francisco Administrative Code Section 6.22(G) Ordinance Amendment

This ordinance amendment as signed by Mayor Gavin Newsom on January 4, 2011, is known as the San Francisco Local Hiring Policy for Construction and applies to the following:

1. Construction contracts for public works or improvements;
2. All City and County of San Francisco contracted construction work on City owned or leased property
3. Projects advertised after March 25, 2011.

The above ordinance amendment objective is to: *"Advance the City's workforce and community development goals, removing obstacles that may have historically limited the full employment of local residents on the wide array of opportunities created by public works projects, curbing spiraling unemployment, population decline and reduction in the number of local businesses located in the City, eroding property values and depleting the San Francisco tax base."*

To accomplish the above objective, the ordinance amendment includes the following:

1. Requires contractors and their subcontractors in the first year to attain a minimum of 20% of total work hours by trade per project using San Francisco residents and no less than 10% of all project work hours within each trade performed by disadvantaged San Francisco residents. There will be gradual increases in increments of 5% per year up to 50% after six years.
2. The Mayor's Office of Economic and Workforce Development (OEWD) will lead an economic impact review after the first three years of enactment to report to the Board of Supervisors and the Mayor.
3. Requires prime contractors for projects in excess of \$1,000,000 to prepare and submit local hiring plan to OEWD for approval.
4. Provides financial/non-financial incentives for contractors and subcontractors who exceed local hiring requirements, including incentives that comply with applicable law and that do not exceed 1% of the estimated cost of the contract and non-financial incentives developed by OEWD through regulation.
5. Mandates assessment of penalties against contractors and subcontractors who fail to meet the minimum local hiring requirements.
6. Changes the lead agency for implementation from the San Francisco Human Rights Commission to the Mayor's Office of Economic and Workforce Development (OEWD).



A Local Hiring Implementation Policy and Working Group has been established consisting of staff representatives from all City Departments. The main goal of the group is to have an implementation program completed prior to the effective implementation date when projects are advertised after March 25, 2011.

### **Impact to the Port:**

The impact to the Port is not clear at this time as the mechanisms for implementing the ordinance are still being developed. The Port's Administrative Engineer who oversees construction bidding is the Port's representative on the Citywide Working Group. The Port has expended approximately \$39 million over the past five (5) years and per its Fiscal Years 2011/12 and 2012/13, two-year Capital Project Budget projects to spend \$21.7 million over the next two years. As indicated in this staff report, there is a record total of \$67,203,000 in construction contracts to be solicited in the upcoming year. These contract expenditures are expected to serve as employment opportunities for San Francisco residents.

## **II. Summary of the Executive Director's Delegated Authority Use**

The Executive Director exercised her delegated authority to execute contracts up to \$400,000 without further Port Commission approval through the award of one contract in the amount of \$257,000. That contract is federally funded and was awarded to Winzler & Kelly to provide Hazardous Materials and Design Services for Pier 70 Buildings. The Port Commission authorized advertisement of the RFP for Hazardous Building Materials Survey and Design Services at its May 11, 2010 meeting with a budget of \$700,000. Through negotiations, the contract amount was reduced well below the Executive Director's delegated authority amount of \$400,000.

## **III. LBE Participation/Second Quarter Contracting Activity**

As mentioned in the report summary, the Port continues to exceed its overall goal of 20% for LBE subcontracting. In addition, the Port has awarded the majority of its contracts as LBE joint venture contracts. Thus, LBEs are utilized at the prime contracting level as well. As illustrated in the table below, the cumulative LBE subcontracting participation on Port contracts is at **30.95% for this fiscal year**, excluding the dredging construction contract (with the dredging contract it is 22.35%). **This quarter, LBE subcontracting participation was 29.62%** without the dredging contract and 13.16% with the dredging contract. This distinction is due to the limited availability of LBEs to participate on projects that require work in and about the water and the highly specialized nature of the work, such as dredging.





Type of Transaction (with LBE participation)	# of Transactions	Total Dollar Amt.	LBE Amt.	LBE %	GOAL
As-Needed CSOs (2 <sup>nd</sup> Quarter)	11	\$660,944	\$219,826	33.26%	20%
(1 <sup>st</sup> Quarter)	9	\$452,701	\$95,448	21.08%	
Construction (2 <sup>nd</sup> Quarter)	7	\$155,561	\$13,931	8.96%	20%
(1 <sup>st</sup> Quarter)	6	\$1,944,568	\$625,446	32.16%	
Professional Service (2 <sup>nd</sup> Quarter)	0	-	-	-	
(1 <sup>st</sup> Quarter)	0	-	-	-	
General Service (2 <sup>nd</sup> Quarter)	1*	\$110,000	0.00	0.00%	20%
(1 <sup>st</sup> Quarter)	0	-	-	-	
Micro-LBE Set-Asides (2 <sup>nd</sup> Quarter)	1	\$57,800	\$57,800	100%	
(1 <sup>st</sup> Quarter)	1	\$49,500	49,500	100%	0%
Total LBE Participation (2 <sup>nd</sup> Quarter)	20	\$ 984,305	\$291,557	29.62%	20%
(1 <sup>st</sup> Quarter)	16	\$2,446,771	\$770,394	31.49%	
					20%
Total FY10/11 Combined LBE Participation	36	\$3,431,076	\$1,061,951	30.95%	
*LBE Exempt Contracts (2 <sup>nd</sup> Quarter)	7	\$931,000	\$120,796	12.97%	0%
(1 <sup>st</sup> Quarter)	1	\$1,000,000	\$0	0%	
Dutra Dredging Contract 2010 Amendment	1	\$1,230,347	0	0	**

\*The Port's Environmental Education Programs at Heron's Head Park and India Basin Open Space Contract did not include certified LBE participation goals. Although HRC-Certified Local Non Profits were eligible to compete for this grant, none participated in the competitive selection process.

\*\*The dredging contract required 100% trucking and testing to be performed by Disadvantaged Business Enterprises (DBEs) pursuant to the City's earlier generation of the current LBE program. However, no DBE participation is anticipated on this portion of the work due to a change in the method of disposing of the dredged material no longer requiring trucking. The HRC maintains sole responsibility for monitoring compliance with this contract provision.

#### Other Contracts (not included in the above table)

The Port authorizes several contracts through the Department of Public Works. These contracts are for projects such as the Cruise Terminal, Blue Greenway, Job Order Contracts, Pier 94 Back Lands, Under Pier Utilities Mapping and etc. LBE participation for these projects will be incorporated into the Port's Annual Contracting Activity Report.

For a detailed report of the contracting activities for 2<sup>nd</sup> Quarter Fiscal Year 2010/2011 please refer to *Exhibit 2* attached hereto. LBE Joint Venture participation based upon the agreed split of contract proceeds and LBE subcontract is as follows:

#### Cumulative As-Needed LBE Joint Venture Participation:

As-Needed	JV Split	*LBE JV %	LBE Sub %
<u>Engineering As Needed Contracts</u>			
Creegan & D'Angelo/ F.E. Jordan JV	60/40	4%	30.39%
Winzler & Kelly/ SDE JV	60/40	51.3%	16.70%
URS/AGS JV	60/40	17%	21.89%
<u>Environmental As-Needed Contracts</u>			
Baseline	N/A	N/A	11.95%
Tetra Tech/AEW JV	55/45	32.4%	59.34%
Weiss Associates	N/A	N/A	-





\*LBE JV participation should be equivalent to the JV split. Port staff are monitoring both the LBE joint venture and subcontracting requirements as Contract Service Orders (CSOs) are solicited.

Amendment to As-Needed Master Agreements Contract Awarded 2<sup>nd</sup> Quarter FY 2010/2011:

The Port has amended all of the As-Needed Real Estate and Related Professional Services contracts to extend the contract term for an additional one year. This action was taken pursuant to Port Commission Resolution PSC 4017-05/06 authorizing the one year extension. Port staff requested and received Civil Service Commission approval for this one year extension to the contract term. The LBE subcontracting goal is 20% for each contract. Port staff are determining what the Port's contracting needs will be, if any, when these contracts expire.

<b>Consultant</b>	<b>Contract Amt.</b>	<b>Awarded Amt.</b>	<b>DBE Amt.</b>	<b>DBE %</b>	<b>Start Date</b>	<b>End Date</b>
Bay Area Economics	\$550,000	\$418,642	\$130,490	31.17%	3/1/06	12/31/11
CBRE Consulting	\$550,000	\$328,603	\$98,541	29.99%	8/1/06	12/31/11
Economic Planning System	\$550,000	\$549,834	\$117,079	21.29%	3/1/06	12/31/11
Keyser Marston Associates	\$550,000	\$123,385	\$26,960	21.85%	3/1/06	12/31/11
<b>Total</b>	<b>\$2,200,000</b>	<b>\$1,420,464</b>	<b>\$373,070</b>	<b>26.26%</b>		

\$200,000 Limit on As-Needed Contracting Authorization

Chapter 6.64 of the San Francisco Administrative Code limits Contract Service Orders (CSOs) to a maximum of \$200,000 per public works project. Contract Service Orders exceeding \$200,000 require written justification by the department head establishing the urgency to perform the work under as-needed contracts rather than through a formal competitive procurement. Under Port Commission Resolution #09-29 and 09-37, the Port Commission authorized its Executive Director to execute Contract Service Orders up to \$500,000, without further review or approval of the Port Commission, when such exception policy exists. The Executive Director documents such justifications where this delegated authority is exercised.

During this reporting period, one as-needed contract required approval to exceed the \$200,000 Contract Service Order threshold amount. The Port issued CSO CD-16 on February 2008 under the now expired Creegan & D'Angelo Master Contract for an amount of \$108,970.64 to provide professional engineering services for the Hyde Street Fuel Dock project which was then incorporated into the Marine Structural II Project as a



construction project. After the Creegan & D'Angelo Master Contract expired on April 2010, a new CSO CF-03 was issued with a total amount of \$82,356.59 to provide construction administration engineering support to the Marine Structural Project. For this reporting quarter, a modification of \$49,500 was issued for additional construction administration engineering services. This has resulted in a total of \$240,827.23 for the Marine Structural and Fuel Dock Repair project.

### III. Projected Contract Activities for Upcoming Year - Summary

The following summarizes the number and dollar value of projects currently identified to be pursued by the Port over Fiscal Year 2010/2011.

Type of Transaction	Number of Transaction	Estimated Dollar Amount
As-Needed CSOs	24	\$2,820,160
Construction	14	\$67,203,000
Professional Services	4	\$4,860,000
General Services (IT)	4	\$1,670,000
LBE Exempt	0	\$0.00
Micro-LBE Set-Asides	0	\$0.00
Delegated Authority	1	TBD
<b>TOTAL</b>	<b>47</b>	<b>\$76,553,160</b>

See *Exhibit 3* attached hereto for detailed descriptions of the projected contracts for Fiscal Year 2010/2011. This proposed work is dependent upon a number of factors which includes whether or not city staff are available with the required expertise to perform the work. With the exception of work to be performed under as-needed contracts, all contracted professional services work requires Civil Service Commission approval. In many instances, the dollar amount and methods of providing the services have not yet been determined.



#### IV. Local 21 Staffing Activity for 2<sup>nd</sup> Quarter Fiscal Year 2010/2011

Staffing Activities for 1<sup>st</sup> Quarter Fiscal Year 2010/2011  
(October 1, 2010 - December 31, 2010)

<b>Class</b>	<b>Title</b>	<b>Activities</b>
<b>Hires/Appointments</b>		
1652	Accountant II	Permanent/Full-Time; start work date 07/12/2010
	Sr. Personnel	Permanent/Full-Time; start work date
1244	Analyst	06/28/2010
1652	Accountant II	Permanent/Full-Time; start work date 06/28/2010
	Principal Admin	Reassignment of employee from Real Estate Section upon retirement of incumbent effective
1824	Analyst	06/12/10
5268	Architect	Prop F Appointment; start work date 07/12/2010
	Student Design	As-needed; start work date effective
5382	Trainee III	07/01/2010
	Sr. Property Mgr,	Permanent/Full-Time; start work date
9386	Port	10/02/2010
9395	Property Mgr, Port	Prop F Appointment; start work date 07/19/2010
<b>Separations/Vacancies</b>		
1043	IS Engineer - Senior	Re-class from 1024 FY 2010/11
	IS Business Analyst -	
1053	Senior	New Position FY 2010/11
1070	IS Project Director	Re-class from 1054 FY 2010/11
1652	Accountant II	Incumbent retired effective 06/26/10
	Principal Admin	Vacancy due to reassignment of employee to
1824	Analyst	Maritime Section
	Principal Admin	
1824	Analyst	Incumbent retired effective 01/09/2010
	Student Design	One (1) FTE; As needed positions for Planning
5382	Trainee III	& Development
5502	Project Manager I	New Position FY 2010/11
5504	Project Manager II	New Position FY 2010/11
		Vacancy due to vesting retirement of employee
5602	Utility Specialist	effective 10/16/10 (vesting)
		Vacancy due to promotion of employee
9395	Property Mgr, Port	effective 10/02/2010





This concludes the summary of regularly required reporting information.

## **RECOMMENDATION**

The above report is submitted to meet the requirements stated in the report Background attached hereto. Port Staff requests the Port Commission's acceptance of this report.

Prepared by: Norma Nelson, Contract Manager

Prepared for: Elaine Forbes, Deputy Director  
Finance & Administration

cc: Human Rights Commission, Alaric Degrafinried  
Local 21, IFPTE, Ging Louie

Exhibit 1: Report Background

Exhibit 2: Detailed Contracting Activities for 2<sup>nd</sup> Quarter FY 2010/2011

Exhibit 3: As-Needed Master Agreement CSO Activities (FY2010/2011 and cumulative)

Exhibit 4: Non As-Needed Contracting Activities Fy2010/2011

Exhibit 5: Detailed Projected Upcoming Contracting Activities



## Exhibit 1

### **BACKGROUND**

The purpose of this report is to comply with legal and policy mandates for the City and County of San Francisco and Port Commission. These legal and policy requirements are primarily based upon the following:

1. "As-Needed" contracting requirements as promulgated by Section 6.64 of the San Francisco Administrative Code, Port Commission Resolution 03-50 and a Letter of Agreement with Local 21 International Federations of Professional and Technical Employees Association (IFPTE). (Effective April 2005, a \$200,000 limit was imposed via City ordinance for use of as-needed contract services per each single public works project; not including general planning or non-construction related professional services such as real estate economics as-needed contracts.)
2. Local 21 Union for the IFPTE and the City and County of San Francisco Department of Public Works requested that the Port include the following additional information in the subject quarterly reports, as it applies to the use of as-needed professional service contracts:
  - Contracting activity for the current reporting period
  - Anticipated contracting activity for the upcoming quarter
  - Estimated staffing numbers and projects related to the as-needed contract services.
3. San Francisco Administrative Code Section 14(b) requires all departments and contract awarding authorities to report to the Mayor on their progress in the preceding fiscal year toward the achievement of the LBE goals and their steps to ensure non-discrimination against MBEs (Minority Business Enterprises), WBEs (Women Business Enterprises) and OBEs (Local businesses other than MBE or WBE).

The Port of San Francisco has been assigned by the San Francisco Human Rights Commission (HRC) an overall Disadvantaged Business Enterprise (DBE) or Local Business Enterprise (LBE) subcontracting participation goal of 20%. This means that on an annual basis, 20% of all (including LBE Joint Venture Prime contract participation) of contracted work procured by the Port of San Francisco must be awarded to Local Business Enterprises or the contractor must have demonstrated a good faith effort to do so.

In the award of leases, franchises, concessions, and other contracts not subject to the discount provisions of Administrative Code Section 14(b), contract awarding authorities such as the Port shall utilize the good faith effort steps to maximize opportunities for LBE participation, as deemed practicable to do so. At the minimum, contract awarding authorities should notify LBEs that are certified



to perform the work contemplated in a contract and solicit their interest in the contract. These good faith effort steps are described in each solicitation for a Port lease, franchise, concession and other contracts such as development agreements.

## Definitions

1. *As-needed Professional Service Contracts* include professional service contracts procured on a request for qualifications basis to establish a pool of Master Agreements in which work is contracted under task orders or Contract Service Orders (CSOs), as needed to complete work required on an immediate basis that cannot otherwise be performed by existing City and County of San Francisco staff. The Port has ten (10) as-needed master contracts that have a total authorized contracting capacity of \$10,700,000. To date, \$6,474,986 of the authorized amount is available for future as-needed projects.

2. *Professional Service Contracts* procured through a *formal* contracting process  
- contracts valued greater than \$100,000.

3. *Professional Service Contracts* procured through an *informal* contracting process  
- contracts valued at less than \$100,000.

4. *Construction Service Contracts*

- public works/construction contract means a contract for the erection, construction, renovation, alteration, improvement, demolition, excavation, installation, or repair of any public building, structure, infrastructure, bridge, road, street, park, dam, tunnel, utility or similar public facility that is performed by or for the City.

5. *Information Technology Contracts*

- acquisition of computer hardware, software, peripherals and appropriate network, consulting, maintenance, training and support services, as well as any successor contracts. Administered by the Technology Store under the direction of the City Purchaser and Chief Information Technology Officer.

6. *General Services Contracts*

- an agreement for those services that are not professional services. Examples of "general services" include: janitorial, security guard, pest control, parking lot attendants and landscaping services

7. *Micro-LBEs* generally fit into the following financial categories based upon prior three years annual gross receipts income limits:

(1) Public works/construction	\$7,000,000
(2) Specialty Construction Contractors/Trucking	\$3,500,000
(3) Goods/Material/Equipment/Services	\$3,500,000
(4) Professional Services	\$2,500,000





Each contracting department such as the Port is to set-aside for award to Micro-LBE not less than 50% of the public work/construction contracts when the estimated contract amount is equal to or less than \$400,000. In addition, all contracts other than public work/construction equal to or less than \$100,000 must include 25% Micro-LBE set-asides.

#### Other Contracting Activities

In addition to the above contracting activity, the Port has been engaged in a number of development agreements, leasing evaluations, renewals, and new leases.

#### Steps to Assure Non-Discrimination against MBEs, WBE, and OBEs

To assure that MBEs, WBEs and OBEs are not discriminated against in Port contracting opportunities, the Port has implemented the following standard procedures:

- Request information from the San Francisco Human Rights Commission as to the availability of MBEs, WBEs and OBEs certified as offering services required on Port projects. Such information includes availability statistics in percentages of MBEs, WBEs and OBEs. In addition, the Port has requested the MS Excel database of such certified firms to assure inclusion as project opportunities become available.
- Availability statistics in percentages are included in advertising for all formally procured contracts.
- Outreach through Minority, Women and Local media
- Direct mailing, faxing and e-mailing of procurement opportunity notices
- Identifying set-aside opportunities exclusively for Micro-LBE firms
- Working with Port staff to eliminate barriers to MBEs, WBEs and OBEs gaining access to Port contracting opportunities. Such barriers include qualifications based upon prior knowledge/experience on the project or past work with existing consultants.
- Hold prime consultants accountable for actions that impede the success of MBE, WBE and OBE firm's success on contracts such as the withholding of essential information required to perform subcontracted work by notifying the San Francisco Human Rights Commission to perform investigations, when deemed appropriate.

#### Steps to Assure Non-Discrimination in employment for all contracts and property Contracts

Pursuant to the 14B Ordinance, the San Francisco Human Rights Commission has promulgated rules and regulations for the implementation of the nondiscrimination provisions of 14B.

The various forms required as conditions of being awarded a goods/services/public works contract, development agreement, lease or concession are included in all advertisements for such contracts and incorporated into the finalized contract documents. The San Francisco Human Rights Commission actively participates in the



selection process to assure compliance with these requirements and conducts investigations as deemed necessary to assure such compliance.

**Exhibit 2:**  
**Detailed Contracting Activity for 1<sup>st</sup> Quarter FY 2010/11**

<i>As-Needed CSOs</i>				
Creegan & D'Angelo /F.E. Jordan JV	Pier 70, Building 113 Structural Remediation Project	\$164,914	\$102,941	62.42%
Creegan & D'Angelo /F.E. Jordan JV	Modification #3 - Marine Structural II	\$49,500	\$3,960	8%
Winzler & Kelly/ SDE JV	Berth 27 Dredging Inspection Services	\$26,874	\$0.00	0%
Winzler & Kelly/ SDE JV	Downtown and China Basin Ferry Terminal Float	\$28,128	\$0.00	0%
Winzler & Kelly/ SDE JV	Engineering services for Pile Driver No.4	\$49,028	\$7,126	6.85%
Winzler & Kelly/ SDE JV	Modification #1-On Call Scoping and Technical Advice	\$25,000	\$5,000	20%
URS/AGS Joint Venture	Sea Level Rise and Mitigation Study	\$177,752	\$40,288	22.67%
Baseline Environmental	Storm Water Group Monitoring Services	\$47,288	\$5,650	11.95%
Tetra Tech/AEW Joint Venture	Storm Water Compliance Review Services	\$65,562	\$37,708	57.52%
Tetra Tech/AEW Joint Venture	Mission Bay Shoreline Bivalve Survey	\$7,021	\$0.00	0%
Tetra Tech/AEW Joint Venture	Mission Bay Shoreline Protection, Permitting and Technical Support	\$19,877	\$17,153	86.30%
<b>Total</b>	<b>11</b>	<b>\$660,944</b>	<b>\$219,826</b>	<b>33.26%</b>



**Construction Service Contracts**

A&B Construction	Change Order #8- Pier 45 Drainage Improvements Project	\$28,383	\$0.00	0%
A&B Construction	Change Order #9- Pier 45 Drainage Improvements Project	\$12,522	\$0.00	0%
A&B Construction	Change Order #10- Pier 45 Drainage Improvements Project	\$21,566	\$0.00	0%
Fine Line Construction	Change Order #1-Pier 19 Roofing and Minor Dry Rot Repair	\$2,688	\$887	33.0%
Fine Line Construction	Change Order #2-Pier 19 Roofing and Minor Dry Rot Repair	\$16,363	\$5,400	33.0%
Fine Line Construction	Change Order #3-Pier 19 Roofing and Minor Dry Rot Repair	\$23,164	\$7,644	33.0%
Dutra Dredging	Increase Encumbrance- Maintenance Dredging Work	\$1,230,347	\$0.00	0%
Trinet Construction	Change Order #1-Pier 33 Sidewalk Improvement Project	\$50,875	\$0.00	0%
<b>Total</b>	<b>8</b>	<b>\$1,385,908</b>	<b>\$13,931</b>	<b>1%</b>

**General Services Contracts**

Literacy for Environmental Justice	Education Program at herons' Head Park	\$110,000	\$0.00	0%
<b>Total</b>	<b>1</b>	<b>\$110,000</b>	<b>\$0.00</b>	<b>0.00%</b>





**LBE Participation Exempt**

Cochran Inc.	Pier 27/29 Shoreside Power	\$145,212	\$0.00	0%
Cochran Inc.	Pier 27/29 Shoreside Power	\$13,900	\$0.00	0%
Cochran Inc.	Pier 27/29 Shoreside Power	\$150,000	\$0.00	0%
Cochran Inc.	Increase Encumbrance-Pier 27/29 Shoreside Power	\$43,628	\$0.00	0%
San Francisco Conservation Corps.	Youth Employment Program	\$200,000	\$0.00	0%
Treadwell & Rollo	Pier 70 Environmental Site Investigation	\$82,470	\$29,945	36.31%
Winzler & Kelly (Delegated Authority Contract)	Pier 70 Hazardous Building Materials Survey	\$295,790	\$90,851	31%
<b>Total</b>	<b>7</b>	<b>\$931,000</b>	<b>\$120,796</b>	<b>12.97%</b>

14B Micro LBE Set-Aside Ordinance  
Set-Aside Contracts for 2<sup>nd</sup> Quarter FY2010/11

<b>LBE Contractor</b>	<b>Description</b>	<b>Contract Amt.</b>	<b>LBE %</b>	<b>LBE Status*</b>
<b>Public Works (Total Contract Under \$400,000)</b>				
Avalon Construction Company	Pier 26 South Bulkhead Office Heating, Ventilation and Air Conditioning Improvements	\$57,800	100%	O
<b>Professional Service (Total Contract Under \$100,000)</b>				
-	-	-	-	-
<b>Total Micro LBE Contracts</b>	<b>1</b>	<b>\$57,800</b>	<b>100%</b>	

\*LBE Status: M = Minority, W = Women, O = Other



**Exhibit 3:**

**AS-Needed Agreement Contract Service Order (CSO) Activities FY2010/2011 and Cumulative**

As-Needed Contracts Consultants	FY 2010/11 1st Quarter			FY 2010/11 2nd Quarter			Cumulative to Date		
	CSO Amt	DBE Amt	DBE %	CSO Amt	DBE Amt	LBE %	CSO Amt	DBE Amt	DBE %
<u>Real Estate</u>									
Bay Area Economics	\$58,560	\$11,376	19.43%				\$418,642	\$130,490	31.17%
CBRE Consulting							\$328,603	\$98,541	29.99%
Economic Planning Sys.	\$50,000	\$0	0.00%				\$549,834	\$117,079	21.89%
Keyser Marston Assoc.							\$123,385	\$26,960	21.85%
<b>Total Real Estate Services</b>	<b>\$108,560</b>	<b>\$11,376</b>	<b>10.48%</b>		<b>\$0</b>	<b>0.00%</b>	<b>\$1,420,464</b>	<b>\$373,070</b>	<b>26.26%</b>

As-Needed Contracts Consultants	FY 2010/11 1st Quarter			FY 2010/11 2nd Quarter			Cumulative to Date		
	CSO Amt	LBE Amt	LBE %	CSO Amt	LBE Amt	LBE %	CSO Amt	LBE Amt	LBE %
<u>Engineering &amp; Related Services</u>									
Creagan + D'Angelo/F.E. Jordan	\$39,153	\$3,357	8.57%	\$214,414	\$106,901	49.86%	\$508,910	\$143,586	28.21%
Winzler & Kelly/SDE JV	\$15,188	\$0	0.00%	\$104,030	\$7,126	6.85%	\$473,802	\$84,112	17.75%
URS/AGS JV	\$289,800	\$80,715	27.85%	\$177,752	\$40,288	22.67%	\$682,090	\$149,307	21.89%
<b>Total Engineering &amp; Related</b>	<b>\$344,141</b>	<b>\$84,072</b>	<b>24.43%</b>	<b>\$521,196</b>	<b>\$159,315</b>	<b>30.57%</b>	<b>\$1,664,802</b>	<b>\$377,005</b>	<b>22.65%</b>
<u>Environmental &amp; Related Services</u>									
Baseline				\$47,288	\$5,650	11.95%	\$47,288	\$5,650	11.95%
Tetra Tech/AEW JV				\$92,460	\$54,861	59.33%	\$92,460	\$54,861	59.33%
Weiss Associates							\$0	\$0	0.00%
<b>Total Environmental &amp; Related</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00%</b>	<b>\$139,748</b>	<b>\$60,511</b>	<b>43.30%</b>	<b>\$139,748</b>	<b>\$60,511</b>	<b>43.30%</b>
<b>TOTAL As-Needed Contracts</b>	<b>\$344,141</b>	<b>\$84,072</b>	<b>24.43%</b>	<b>\$660,944</b>	<b>\$219,826</b>	<b>33.26%</b>	<b>\$3,225,014</b>	<b>\$810,586</b>	<b>25.13%</b>





## Non AS-Needed Contracting Activities FY2010/2011 and Cumulative

NOT As-Needed Contracts	FY 2010/11 1st Quarter			FY 2010/11 2nd Quarter			FY 2010/11 Cumulative to Date		
	Contract Amt	LBE Amt	LBE %	Contract Amt	LBE Amt	LBE %	Contract Amt	LBE Amt	LBE %
<u>Construction</u>									
A & B Construction (Change Orders)	\$49,278	\$0	0.00%	\$62,471	\$0	0.00%	\$111,749	\$0	0.00%
Fine Line Construction (Change Orders)	\$1,895,292	\$625,446	33.00%	\$42,215	\$13,931	33.00%	\$1,937,507	\$639,377	33.00%
Dutra Dredging Co. (Change Orders)			0.00%	\$1,230,347	\$0	0.00%	\$1,230,347	\$0	0.00%
Trinet Construction (Change Orders)			0.00%	\$50,875	\$0	0.00%	\$50,875	\$0	0.00%
<b>Total Construction</b>	<b>\$1,944,570</b>	<b>\$625,446</b>	<b>32.16%</b>	<b>\$1,385,908</b>	<b>\$13,931</b>	<b>1.01%</b>	<b>\$3,330,478</b>	<b>\$639,377</b>	<b>19.20%</b>
<u>Professional Services</u>									
(See Micro-LBE Set Aside Contract Section)							\$0	\$0	0.00%
							\$0	\$0	0.00%
<b>Total Professional Services</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00%</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00%</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00%</b>
<u>General Services</u>									
Literacy for Environmental Justice				\$110,000	\$0	0.00%	\$110,000	\$0	0.00%
<b>Total General Services</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00%</b>	<b>\$110,000</b>	<b>\$0</b>	<b>0.00%</b>	<b>\$110,000</b>	<b>\$0</b>	<b>0.00%</b>
<b>TOTAL Not As-Needed Contracts</b>	<b>\$1,944,570</b>	<b>\$625,446</b>	<b>32.16%</b>	<b>\$1,495,908</b>	<b>\$13,931</b>	<b>0.93%</b>	<b>\$3,440,478</b>	<b>\$639,377</b>	<b>18.58%</b>
Micro-LBE Set-Aside Contracts	FY 2010/11 1st Quarter			FY 2010/11 2nd Quarter			FY 2010/11 Cumulative to Date		
	Contract Amt	LBE Amt	LBE %	Contract Amt	LBE Amt	LBE %	Contract Amt	LBE Amt	LBE %
<u>Professional Service (Contract Total &gt;\$100k)</u>									
Kate Keating Associates	\$49,500	\$49,500	100.00%				\$49,500	\$49,500	100.00%
<b>Total Professional Services</b>	<b>\$49,500</b>	<b>\$49,500</b>	<b>100.00%</b>				<b>\$49,500</b>	<b>\$49,500</b>	<b>100.00%</b>
<u>Public Works (Total Contract &gt;\$400k)</u>									
Avalon Construction Company				\$57,800	\$57,800	100.00%	\$57,800	\$57,800	100.00%
<b>Total Public Works</b>				<b>\$57,800</b>	<b>\$57,800</b>	<b>100.00%</b>	<b>\$57,800</b>	<b>\$57,800</b>	<b>100.00%</b>
<b>TOTAL Micro-LBE Contracts</b>	<b>\$49,500</b>	<b>\$49,500</b>	<b>100.00%</b>	<b>\$57,800</b>	<b>\$57,800</b>	<b>100.00%</b>	<b>\$107,300</b>	<b>\$107,300</b>	<b>100.00%</b>
LBE Participation Exempt	FY 2010/11 1st Quarter			FY 2010/11 2nd Quarter			FY 2010/11 Cumulative to Date		
	Contract Amt	LBE Amt	LBE %	Contract Amt	LBE Amt	LBE %	Contract Amt	LBE Amt	LBE %
Cochran Inc.	\$1,000,000	\$0	0.00%	\$352,740	\$0	0.00%	\$1,352,740	\$0	0.00%
San Francisco Conservation Corps.				\$200,000	\$0	0.00%	\$200,000	\$0	0.00%
Treadwell & Rollo				\$82,470	\$29,945	36.31%	\$82,470	\$29,945	36.31%
Winzler & Kelly				\$295,790	\$90,000	30.43%	\$295,790	\$90,000	30.43%
<b>TOTAL Exempt Contract</b>	<b>\$1,000,000</b>	<b>\$0</b>	<b>0.00%</b>	<b>\$931,000</b>	<b>\$119,945</b>	<b>12.88%</b>	<b>\$1,931,000</b>	<b>\$119,945</b>	<b>6.21%</b>





**Exhibit 5:**  
**Detailed Projected Upcoming Activity for Upcomming Year**

***As-Needed CSOs***

<b>Master Agreement</b>	<b>Description of Work</b>	<b>Port Project</b>	<b>Est. Dollar Amount</b>	<b>Est. Start Date</b>
Engineering	Pier 26 fire water pipe leak repairs project.	As-Needed professional consult. service	\$20,000	TBD
Engineering	Container Cranes Paint, Upgrade & Demolition Consulting Services	As-Needed professional consulting service	\$50,000	TBD
Engineering	Sea Level Rise Evaluation Study	Evaluation Study-Southern Waterfront	\$200,000	On hold
Engineering	Site Specific Sea Level Rise Mitigation Study	Study for Development Sites - Pier 19/23	\$100,000	On hold
Engineering	Northern Waterfront (North of Ferry Building)	Portwide Evaluation of Seawall	\$100,000	On hold
Engineering	-Southern Waterfront (South of Ferry Building)	Portwide Evaluation of Seawall	\$100,000	On hold
Engineering	Development of Seismic Standards for Pier and Wharves	Development of Seismic Standards for Pier and Wharves	\$180,000	TBD
Engineering	Portwide Soft Story Evaluation	Portwide Soft Story Evaluation	\$100,000	TBD
Engineering	Miscellaneous Special Inspection Services	Port Construction Projects	\$100,000	TBD
Engineering	Cathodic Protection	China Basin Ferry Terminal	\$100,000	TBD
Engineering	Pile Driver No. 4	TBD	\$50,000	TBD
Engineering	Structural, historical architecture and materials	Pier 70-Building 113 Stabilization	\$170,000	TBD
Engineering	Structural, Cost Estimator Phase I	Pier 33.5 Core & Shell Improvements	\$15,160	TBD
Engineering	Cost Estimator	Fisherman's Wharf Harbor Master Office & SFPD Marine Unit	TBD	TBD



Engineering	As-Needed Professional Service	CCTV/ACS Projects	TBD	TBD
Engineering	As-needed Professional Service	Maintenance Dredging Construction Inspection and Management Assistant	\$60,000	5/2011
Environmental	Technical Support	Wharf J-10	\$70,000	TBD
Environmental	Hazardous Building Materials Consulting	Pier 70 Development	TBD	FY2010/1 1
Environmental	Site Investigation	Pier 94/96 Backlands	\$60,000	TBD
Environmental	As-Needed Environmental Services	Various Capital Project	TBD	TBD
Planning and Development	Environmental education programs at HHP	Environmental Education Progress at Heron's Head Park	TBD	TBD
Planning and Development	Consultant A&E Design Services (RFP)	Crane Cove Park	\$1,300,000	01/2011
Planning and Development	Analytical Studies to Support Real Estate Development and Rehabilitation (Negotiation Support, Market Studies, etc.)	Pier 70; Pier 19-23; Agriculture Building; SWL 337; & others TBD	TBD	TBD
Planning and Development	Historic Preservation Consulting	Pier 70 Building 113/114, former Union Iron Works Machine Shop, Masonry Documentation	\$45,000	01/10/201 1

**Formally Bid Construction Service Contracts**

Master Agreement	Description of Work	Port Project	Est. Dollar Amount	Est. Start Date
Shoreline Improvements & Protection	Demolish portions and restore shoreline	Mission Bay/Bayfront Park (GO Bond Project)	\$2,063,000	07/2011
Public Promenade	Seawall and pier repairs	Pier 43	\$6,000,000	10/2011





Wharf Development	Brannan Street Wharf	Piers 34/36	\$23,800,000	TBD
Abatement of Hazardous Building Materials	Abatement of Hazardous Building Materials, Pier 70	Pier 70 Development	TBD	10/2011
Structural repair	Base bid to rehab superstructure of P35 and substructure of P33 with alternate for structural repairs of P50	Marine Structural Projects III	\$1,900,000	7/2011
Maintenance	On-call 5-year Maintenance Dredging	Maintenance Dredging	\$13,790,000	02/2011
Energy Efficiency	Replace packaged boiler/chiller with new and install new direct digital controls	Roudhouse 2 HVAC Central Plant Upgrade	\$450,000	7/2011
Park Improvements	Construction of new 1-1/2 acre park	Heron's Head Park Improvement Project	\$1,600,000	12/2011
Park Improvements	Construct an independent vertical support for the vertical walls.	P70 Bldg 113 Stabilizing	TBD	TBD
Park Improvements	Eight container cranes at various locations to be painted.	Container Crane Paint	TBD	TBD
Park Improvements	Construction of a new JOS located adjacent to the west of Wharf J-11 to replace an existing long-span metal structure and modular trailer where SFPD and SFFD emergency functions are presently located.	HSH Joint Ops & Security Center	TBD	TBD
Park Improvements	Alterations to update the structure to current building and ADA codes, and provide new 800A incoming electrical service.	P33 Bulkhead Improvements & P33 New Electrical Service	TBD	TBD





Dredging	Maintenance Dredging	Maintenance Dredging 2011-2015	\$14,000,000	6/2011
Dredging	Ongoing Dredging	Pier 27&35	3,600,000	FY2010/2011

**Formally Solicited Professional Service Contracts (RFPs/RFQs)**

Master Agreement	Description of Work	Port Project	Est. Dollar Amount	Est. Start Date
Crane Cove Park	Planning and designing services	Pier 70 Crane Cover Park Planning and Design	\$1,200,000	FY2010/2011
TBD	TBD	Business Occupancies Resumption Plan (Grant Funded)	\$660,000	FY2010/2011
Real Estate As-Needed Contracts	As-Needed Real Estate Economics and Related Professional Services	As-needed Professional Services	\$3,000,000	FY2010/2011
TBD	TBD	Advantis Software Upgrade Installation and Servicing	TBD	FY2010/2011

**Formally Bid General Service Contracts**

Master Agreement	Description of Work	Port Project	Est. Dollar Amount	Est. Start Date
Information Technology	Upgrade of PROPworks system	Port-wide	\$200,000	TBD
Janitorial Service	Janitorial and Window Washing Service: 4 <sup>th</sup> Contract Modification 5/2010 to 4/2011	Port-Wide	\$75,000	5/2011: End of 4 <sup>th</sup> Mod.
Security Services	Unarmed Guards	Port-wide	\$495,000/annually	02/2011
Information Technology	Computerized Maintenance Management System	Port-wide	\$900,000 (total budget)	TBD

**LBE Exempted Contracts**

Master Agreement	Description of Work	Port Project	Est. Dollar Amount	Est. Start Date
N/A	-	-	-	-



***Micro-LBE Set-Aside Contracts***

<b>Master Agreement</b>	<b>Description of Work</b>	<b>Port Project</b>	<b>Est. Dollar Amount</b>	<b>Est. Start Date</b>
N/A	-	-	-	-

***Delegated Authority Contracts***

<b>Master Agreement</b>	<b>Description of Work</b>	<b>Port Project</b>	<b>Est. Dollar Amount</b>	<b>Est. Start Date</b>
Executive Directors	Amendment to Gerwick/SDE Contract	Fisherman's Wharf	TBD	TBD





## MEMORANDUM

February 17, 2011

**TO:** MEMBERS, PORT COMMISSION  
Hon. Kimberly Brandon, President  
Hon. Ann Lazarus, Vice President  
Hon. Francis X. Crowley

**FROM:** Monique Moyer  
Executive Director *M Moyer*

**SUBJECT:** Request approval of the Biennial Operating Budget for Fiscal Years 2011/12 and 2012/13

**DIRECTOR'S RECOMMENDATION:** Approve Attached Resolution

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On February 8, 2011, Port staff presented a full informational report on the proposed biennial operating budget for FY 2011/12 and 2012/13 to the Port Commission, and no changes have been made to the report or the budget since the Port Commission's review. The proposed budget will change based on final fringe benefit rates which are set by the Controller's Office later this spring, to annualize the Earth Stewards Apprentice Program which is a new workforce development program in the current year and was inadvertently omitted from the budget proposal, and to reflect final work order amounts. The budget will also change due to input from Mayor Edwin Lee and the Board of Supervisors.

**Recommendation:**

Based on the Port's operating and annual project needs and available funding sources, Port staff submits to the Port Commission the proposed Biennial Operating Budget for fiscal years 2011/12 and 2012/13 and recommends the Port Commission approve the proposed budget. Following Port Commission approval, the budget will be reviewed by Mayor Edwin Lee's Budget Office, which will submit the budget to the Board of Supervisors by the first of May 2011. The Board will hold a hearing in May and give final consideration to the budget on or about July 31, 2011.

Port staff will return to the Port Commission later this summer to report on the adopted Biennial Operating Budget for fiscal years 2011/12 and 2012/13 and detail for Port Commission approval changes made by staff, the Mayor or the Board of Supervisors.

**This Print Covers Calendar Item No. 7B**





## Proposed Operating Budget:

Of significant note, the proposed FY 2011/12 and 2012/13 budget include projections based on the Port's projected impacts from the hosting of the 34<sup>th</sup> America's Cup ("Event"). Notably, the 34<sup>th</sup> America's Cup Host and Venue Agreement ("HVA") is subject to completion of environmental review of the Event under the California Environmental Quality Act ("CEQA"), including a full range of appropriate alternatives and mitigation measures for the Event in its entirety under CEQA. Since the Event Authority's designation of the City as host for the Event on December 31, 2010, City and Port staff have been meeting with Event Authority representatives to initiate the CEQA review process.

The HVA may be subject to further changes in the course of public review of the Event during the extensive approval processes that will follow CEQA review and in response to other City, Port, and public concerns that may arise, and is limited to the uses currently proposed by the Event Authority, and does not cover all potential uses for the Venues, which the Port may consider in the course of the approval processes. The HVA may be amended to reflect any subsequent proposal to change the uses, the mix of uses, the intensity of development, or other fundamental terms, subject to Port Commission review and additional CEQA review, if the changes have not already been analyzed. The HVA is not intended to be, and will not become, contractually binding until CEQA review is complete. However, for purposes of the proposed budgets, Port staff has made assumptions to revenues and expenses in accordance with the language contained in the HVA.

The proposed FY 2011/12 and 2012/13 biennial operating budget is summarized below.

	<b>Budget</b>	<b>Budget</b>	<b>Increase / (Decrease)</b>		<b>Budget</b>	<b>Increase / (Decrease)</b>	
	<b>2010/11</b>	<b>2011/12</b>	<b>Amount</b>	<b>Percent</b>	<b>2012/13</b>	<b>Amount</b>	<b>Percent</b>
<b><u>Sources</u></b>							
Estimated Fund Balance	\$19,194,235	\$18,159,605	(1,034,630)	(5.4%)	\$18,000,000	(\$159,605)	(0.9%)
Revenue	66,887,300	69,052,727	2,165,427	3.2%	69,505,368	452,641	0.7%
Defunding Capital Projects	0	2,180,000	2,180,000	n/a	0	(2,180,000)	(100.0%)
Environmental Payment from Transbay Cable	0	550,000	550,000	n/a	550,000	0	0.0%
<b>Total Sources</b>	<b>\$86,081,535</b>	<b>\$89,942,332</b>	<b>\$3,860,797</b>	<b>4.5%</b>	<b>\$88,055,368</b>	<b>(\$1,886,964)</b>	<b>(2.1%)</b>
<b><u>Uses</u></b>							
Operating Expense	\$61,302,686	63,225,937	1,923,251	3.1%	65,984,417	2,758,480	4.4%
Capital Appropriations	10,699,000	13,109,900	2,410,900	22.5%	8,550,000	(4,559,900)	(34.8)
Annual Projects	4,718,746	3,601,830	(1,116,916)	(23.7%)	3,783,388	181,558	5.0%
Operating Reserve	9,361,103	10,004,665	643,362	6.9%	9,737,563	(267,102)	(-2.7%)
<b>Total Uses</b>	<b>\$86,081,535</b>	<b>\$89,942,332</b>	<b>\$3,860,797</b>	<b>4.5%</b>	<b>\$88,055,368</b>	<b>(\$1,886,964)</b>	<b>(2.1%)</b>
Operating Reserve as a % of Operating Expense	15%	16%			15%		

The table above identifies all of the Port's revenue sources including Estimated Fund Balance that the Port uses to fund capital projects and the budgeted operating reserve. Port staff project operating revenues to increase by 3.2 percent or \$2.2 million in the first



year of the biennial budget and increase 0.7 percent or \$0.5 million in the second year. These projections are based on the current economic climate and the proposed MOU between the Controller's Office and the Port Commission for payments in lieu of rent, which was approved by the Port Commission at its February 8, 2011 meeting.

Operating expenses, including annual projects, are projected to increase a modest \$0.8 million or 1.2 percent in the first year of the biennial budget and by \$2.9 million or 4.4 percent in the second year. Additionally, staff proposes to increase the Port's operating reserve by \$0.6 million in FY 2011/12 and then allow it to decline by \$0.27 million in FY 2012/13. The operating reserve will be at 16 percent and 15 percent of operating expenses in FYs 2011/12 and 2012/13, respectively, adhering to the Port Commission's operating reserve policy<sup>1</sup> of maintaining operating reserves at 15 percent of operating expenses. The Estimated Fund Balance is projected to decline by approximately \$1.0 million in the first year of the biennial budget and \$0.16 million in the second year. Each of the primary changes to the Port's Fiscal Years 2011/12 and 2012/13 biennial budget is described in more detail below.

## Revenue

The proposed revenue budget of \$69,052,727 for FY 2011/12 reflects a \$2.2 million increase or 3.2 percent more than the current year budget. The proposed revenue for FY 2012/13 is \$69,505,368 which represents a 0.7 percent increase over FY 2011/12 budget. Projected revenues are as follows:

	<u>Budget 2010/11</u>	<u>Budget 2011/12</u>	<u>Increase / (Decrease) Amount</u>	<u>Percent</u>	<u>Budget 2012/13</u>	<u>Increase / (Decrease) Amount</u>	<u>Percent</u>
Cargo	\$4,495,000	\$4,610,000	\$115,000	3%	\$4,726,000	\$116,000	3%
Ship Repair	974,000	975,000	1,000	0%	980,000	\$5,000	1%
Harbor Services	1,328,000	2,070,000	742,000	56%	2,120,000	50,000	2%
Cruise	1,610,000	2,225,000	615,000	38%	2,235,000	10,000	0%
Fishing	1,932,000	2,067,000	135,000	7%	2,095,000	28,000	1%
Other Marine	1,665,000	1,414,000	(251,000)	(15%)	1,422,000	8,000	1%
Commercial/Industrial	40,614,000	40,075,427	(538,573)	(1%)	40,836,568	761,141	2%
Parking	12,264,000	13,556,000	1,292,000	11%	13,016,000	(540,000)	(4)%
Special Events	100,000	134,000	34,000	34%	135,000	1,000	1%
Miscellaneous Services	105,000	137,000	32,000	30%	138,000	1,000	1%
Facility Damage	6,000	6,000	0	0%	6,000	0	0%
Permits	366,000	500,000	134,000	37%	500,000	0	0%
Miscellaneous Repairs	30,000	30,000	0	0%	30,000	0	0%
Negotiation Fees	250,000	250,000	0	0%	100,000	(150,000)	-60%
Interest on Investments	795,000	650,000	(145,000)	(18%)	812,500	162,500	25%
Penalties	19,300	19,300	0	0%	19,300	0	0%
Miscellaneous Receipts	<u>334,000</u>	<u>334,000</u>	<u>0</u>	<u>0%</u>	<u>334,000</u>	<u>0</u>	<u>0%</u>
Total Revenues	<u>\$66,887,300</u>	<u>\$69,052,727</u>	<u>\$2,165,427</u>	<u>3.2%</u>	<u>\$69,505,368</u>	<u>\$452,641</u>	<u>1%</u>

<sup>1</sup> In February 2008, the Port Commission adopted Resolution 08-12 requiring annual budgeted operating reserves to equal 15% of annual budgeted operating expenses.





The changes in revenue budgets are outlined below:

- Cargo revenues are projected to increase 2.5 percent annually for the next two fiscal years. The increases reflect the likely retention of our current lay-berth vessels: the Tripoli and Matsonia. This is offset by a reduction in wharfage based on actuals from Piers 80. Overall, projections assume volume remains stable due to an anticipated slow economic recovery impacting cargo volumes late into FY 2011/12.
- Ship Repair revenues are projected to be flat based on the lease's minimum annual rent obligation. No percentage rent was budgeted as 100% of it will be credited back for the capital improvements to the drydock.
- Harbor Services revenues are projected to increase 56% in FY 2011/12 from the current year because of the new lease agreement with the SF Bar Pilots effective January 2011, rent credits for apron repairs scheduled to expire in February 2011, as well as .5% general CPI increase for all other accounts. FY 2012/13 projections include a 1 percent CPI.
- Cruise revenues are projected to increase \$115,000 based on more cruise call bookings for the 2011 and 2012 cruise season, 47 calls for both years. The FY 2012/13 projections are flat from FY 2011/12 since revenues should hold constant during the use of Pier 27 for the America's Cup event. Shoreside Power electricity reimbursement is budgeted for the first time at \$500,000 for approximately 24 vessels, but with offsetting expenses in the work-order budget with the SFPUC.
- Fishing revenue growth in both years, \$135,000 in FY 2011/12 and \$28,000 in FY 2012/13, result from adjustments in dockage and fishing industry rent.
- Other Marine revenues are expected to decrease in FY 2011/12 by \$251,000 or 15% based on lower layberth activity and a reduction in rent mainly due to the Pier 38 Recreation Center which is the subject of an unlawful detainer action and as a result, the budget assumes no continued rent for FY 2011/12 and FY 2012/13.
- Commercial/Industrial rent is expected to decrease by \$539,000 or 1% in FY 2011/12. This modest reduction includes a \$4.2 million or 15% decrease in base rents, offset by proposed payments in lieu of rent of \$2.1 million, and a \$1.6 million increase in percentage rents. Base rents are projected to decline primarily due to the loss of Port facility rental revenues due to the 34<sup>th</sup> America's Cup, anticipated vacancies from large tenants, and the proposed development project on Pier 27. Rent from percentage leases will increase \$1.6 million assuming percentage rents continue at the same pace as experienced over the past 12 months. FY 2011/12 reflects a projected 1% CPI increase in most leases.
- Parking revenue is projected to increase by \$1,292,000 or 11% in FY 2011-12 primarily due to continuing revenue increases from parking meters resulting from the implementation of parking payment stations which accept credit cards, as well as increased parking lot revenues due to replacing selected parking operators. In





FY 2012/13, parking revenue is projected to decline \$540,000, due primarily to the 34<sup>th</sup> America's Cup proposed venue leases.

- Building Permit revenues are expected to increase \$134,000 or by 37% in FY 2011/12 and remain the same in FY 2012/13 due to an anticipated increase in tenant construction activity.
- Negotiation fees are expected to remain stable in FY 2011/12 and then decline by 60% in FY 2012/13 as a result of lull in new development projects.
- The budget for interest on investments was reduced by \$145,000 for FY 2011/12 as compared to the prior fiscal year. The budget was then increased by \$162,500 or 25% in FY 2012/13. The budgets are based on the Port's Finance Division's latest forecast of interest income which incorporates actual interest earnings for the first half of FY 2010/11.

The decline in budget interest earnings for FY 2011/12 is a consequence of the prolonged current economic recession. Interest rates on the Port's investments during the current fiscal year have average 0.5% less than previously estimated. The FY 2011/12 budget assumes an average annual investment rate of 1.0% on the Port operating fund balances, consistent with current yields. The FY 2012/13 budget assumes a slight improvement in investment rates to 1.25%.



## Expense

Operating expenses, including annual projects, in FY 2011/12 total \$66.8 million. This represents an increase of \$806,335 or 1.2 percent over the prior fiscal year's budget. In the second year of this biennial budget, FY 2012/13, operating expenses are budget to increase an additional \$2.9 million or 4.4% to \$69.8 million. The expense summary for Fiscal Years 2011/12 and 2012/13 is as follows:

	Budget	Budget	Increase / (Decrease)		Budget	Increase / (Decrease)	
	2010/11	2011/12	Amount	Percent	2012/13	Amount	Percent
Salaries & Benefits	\$28,828,163	\$30,836,511	\$2,008,348	6.97%	\$32,950,439	\$2,113,928	6.9%
City-wide Overhead	100,191	100,191	0	0.0%	100,191	0	0.0%
Other Current Expenses	9,906,791	9,910,573	\$3,782	0.0%	9,742,011	(168,562)	(1.7%)
Materials & Supplies	1,476,510	1,347,468	(129,042)	(8.7%)	1,329,740	(17,728)	(1.3%)
Fixed Charges	626,030	635,980	9,950	1.6%	635,030	(950)	(0.1%)
Capital Outlay (Equipment)	504,955	713,900	208,945	41.4%	664,384	(49,516)	(6.9%)
Annual Projects	4,718,746	3,601,830	(1,116,916)	(23.7%)	3,783,388	181,558	5.0%
Debt Service	3,075,050	3,850,937	775,887	25.2%	4,672,445	821,508	21.3%
<i>Services of Other Departments</i>							
ADM - Insurance & Risk	2,127,000	2,168,000	41,000	1.9%	2,168,000	0	0.0%
City Attorney	2,759,022	2,759,022	0	0.0%	2,759,022	0	0.0%
Fire Protection Services	3,215,386	3,215,386	0	0.0%	3,215,386	0	0.0%
DHR - Workers Comp	1,052,847	1,065,319	12,472	1.2%	1,065,319	0	0.0%
PUC- Light, Heat & Power	1,844,526	2,023,000	178,474	9.7%	2,075,000	52,000	2.6%
All Other Departments	<u>5,469,227</u>	<u>4,219,650</u>	<u>(1,249,577)</u>	(22.8%)	<u>4,227,450</u>	<u>7,800</u>	0.2%
<i>Subtotal</i>	<i>16,468,008</i>	<i>15,450,377</i>	<i>(1,017,631)</i>	<i>(6.2%)</i>	<i>15,510,177</i>	<i>59,800</i>	<i>0.4%</i>
Interdepartmental Recovery	(267,001)	(225,000)	42,001	(15.7)%	(225,000)	0	0.0%
Revenue Transfer - MTA	<u>583,989</u>	<u>605,000</u>	<u>21,011</u>	3.6%	<u>605,000</u>	<u>0</u>	0.0%
Total Expenses	<u>\$66,021,432</u>	<u>\$66,827,767</u>	<u>\$806,335</u>	<u>1.2%</u>	<u>\$69,767,805</u>	<u>\$2,940,039</u>	<u>4.4%</u>



As described below, the major increases in the proposed FY 2011/12 budget over the current year are in salaries, mandatory fringe benefits, and debt service<sup>2</sup>, which are offset by decreases in facilities maintenance projects, services of other departments, rents and leases, and materials and supplies. The major increases in the proposed FY 2012/13 budget over FY 2011/12 are also in salaries, mandatory fringe benefits, and debt service, offset slightly by decreases in other current expenses.

- Salaries and mandatory fringe benefits are projected to increase in FY 2011/12 by a total of \$2 million or 7 percent. Approximately \$1.2 million of this increase is fringe benefit costs. According to the Mayor Edwin Lee's Budget Instructions, departments are to assume that City retirement costs increase from 13.6 percent to 16.5 percent of total salary, and that health service, dependent coverage and dental benefits all increase 10 percent. This results in a fringe benefit rate of approximately 41 percent of salary costs. The remaining increase consists of salary costs that result from the addition of four new positions (described below), two position substitutions, and an increase in temporary salaries, offset by reductions in overtime in the Maintenance division, premium pay and a 1 percent increase in attrition savings based on historical attrition rates from 3.5 to 4 percent. In FY 2012/13, salaries and mandatory fringe benefits increase \$2.1M, or 7 percent as a result of the end of Mayor Gavin Newsom's negotiated economic package consisting of a 4.62 percent salary reduction for fiscal years FY 2010/11 and FY 2011/12, which includes suspension of pay for performance of 1.50 percent, furlough totaling 2.19 percent in the first year and 2.05 percent in the second year.
- Other Current Expenses increase just \$3,782 in FY 2011/12, and then reduce \$169,000 or 1.7 percent in FY 2012/13. Continuing with the practice started in the current year, the costs for the Terminal Management Agreement for operation of Pier 80 is budgeted in Other Current Expenses, instead of reflected as revenue credits. The Controller's Office has mandated that net revenues be budgeted as both gross revenues and gross costs and thus the cost is now shown in the Professional Services budget. The Revenue Budget has been correspondingly increased as a result of this change.
- Capital Outlay is expected to increase in FY 2011/12 by \$210,000 or 41.4 percent due to the replacement of maintenance vehicles as well as I.T. equipment needed to upgrade the Port's I.T. infrastructure in order to handle the continued growth in demand. In FY 2012/13 Capital Outlay costs decrease by \$50,000, resulting from reduction in I.T. equipment acquisitions.
- Annual Projects decrease \$1.1 million, or 23.7 percent in FY 2011/12 primarily from shifting the I.T. group to implementing already funded projects instead of new projects, including the replacement of the Port's maintenance management system. Notable new projects include the Pier 80 Underground Storage Tank in the Real Estate division which is to respond to regulatory mandates that will include investigation and characterization, and possible remediation, of the former underground storage tank site at Pier 80, and the Geographical Information Systems (GIS) project in I.T. In FY

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<sup>2</sup> The debt service payment assumes payments for \$15 million of new debt for the Cruise Terminal project.





2012/13, Annual Projects increase \$181,508 from FY 2011/12 primarily due to the disaster recovery and Oracle upgrade I.T. projects.

- The Port's work-order budget for services of other departments in FY 2011/12 is proposed for a reduction of \$1 million, from \$16.5 million to \$15.5 million<sup>3</sup>, due to projections based on actual current use, the end of some one-time projects and reductions in resource requests. The notable changes are described below:
  - The Port's work-order to the Planning Department will decrease \$367,000 to \$168,000 because the fees for environmental review of major projects, Brannan Street Wharf and the Pier 27 Cruise Terminal, will have been paid and will support planning staff work through completion of the environmental documents for these projects. The Port will pay required planning fees through capital budgets rather than include these costs in the operating budget. The Port will continue to collaborate closely with the Planning Department on needed planning studies. In the biennial budget period, however, Port staff has not programmed such studies.
  - The Port's work-order to the Police Department is reduced \$250,000 to \$328,000 for security services for cruise calls and to provide patrols of Port properties on a full-time basis. The proposed work-order reflects the projected actual cost in the current year. Port staff has planned to augment these services but the full-time patrol officer is providing exceptional services so additional resources are not necessary.
  - The Port's work-order to the Department of Public Works is budgeted to decrease \$150,000 because the current year funds one-time architectural services. DPWs project management support of the Cruise Terminal project and assistance on the Brannan Street Wharf project and other capital projects are budgeted in those projects.
  - The Port's work-order to Real Estate is proposed to decrease \$120,000 because the agreement with Real Estate to fund a Principal Property Manager position to complete working on the back-log of the Port's hold-over leases has expired. Due to staff reductions in Real Estate, the Division cannot assign staff to the Port.
  - The Port's work-order to the Recreation and Parks department will decrease \$200,000. This work-order was established so the Recreation and Parks staff could assist the Port with planning and permitting. However, due to staff shortfalls at the Recreation and Parks Department, the Department has staff allocated to core functions and does not have capacity to program staff to the Port's work.
  - The Port's work-order to the Human Rights Commission will be reduced \$85,000 to \$208,000 to reflect a reduction in the Port's resource request from 1.75 FTEs to 1

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<sup>3</sup> Services of other departments is currently budgeted at \$16,468,008 plus \$583,989 which is a revenue transfer to the MTA for parking meter enforcement. Therefore, the total current budget for services of departments total \$17,051,997. In the budget year, services of other departments is proposed at \$15,450,377 plus \$605,000 for MTA parking meter enforcement, for a total of \$16,055,377.



FTE. The final budget amount is subject to change based on the Human Rights Commission's overhead rate model.

- The Port's work-order to the GSA Capital Planning Committee will be reduced \$50,000 to \$80,000 to reflect the conclusion of the one-time project to provide special assistant to the Port's capital planning process.

These reductions are offset by:

- A \$178,000 increase in the Port's work-order to the PUC for Light, Heat and Power. However, this net increase includes \$500,000 for Shoreside Power so the change to the Port's projection of electric usage based on consumption provided by the PUC without Shoreside Power, is a \$322,000 reduction.
- A \$41,000 increase in the Port's work-order for the Risk Manager based on an allocation of costs.
- An increase in the revenue transfer out to the MTA of \$21,000 to reflect the current year addition of one enforcement beat.
- An increase of \$30,000 for telephone services to \$260,000. Notably, the budget does not include costs for I.T. data center consolidation as these costs have not yet been developed.

The proposed work-order budget for FY 2012/13 is proposed for a \$60,000 increase to \$15.5 million based on a slight increase in electric usage.

## **Staffing Changes Proposed – Operating Budget**

The proposed budget includes four new positions in the operating budget to address crucial needs related to the Port-wide Under Pier Utility Replacement Project, water and sewer line breaks, the effective implementation of the Computerized Maintenance Management System, and for maintenance of the Port's new parks. The proposed operating budget also includes two position substitutions to reflect the actual duties and responsibilities of these positions. Finally, the proposed operating budget includes a reassignment of a position from Engineering to Real Estate to consolidate the storm water and sanitary sewer program in the Real Estate Division. These changes are described in more detail below.

***New Positions (Budgeted at .73 FTE in FY 2011/12, costs shown below are annualized)***

### ***Engineering Division***

#### **5201 Junior Engineer - \$79,664 annual salary**

This position will add needed support to the Engineering Division's Utilities Group and to perform the following functions: 1) Assist in the development of design, cost estimation and funding request for the Port-wide Under Pier Utility Replacement Project; 2) Assist in coordination of Encroachment Permits - Currently the encroachment permit is managed by four engineers on weekly rotation basis; and 3) Perform Mechanical Engineer functions - Currently the Port has only one





Mechanical Engineer, during any absences, all encroachment permits, building permits and projects needing mechanical engineering support are on hold.

### ***Maintenance Division***

#### **3417 Gardener - \$61,360 annual salary**

The Port will be opening new parks as a result of the 2008 Park Bond Measure. The new parks will require maintenance and currently the Port has only one Gardener position funded in the Port's Operating Budget. (This position was approved last year)

#### **7262 Maintenance Planner - \$95,576 annual salary**

The Maintenance Division is partnering with I.T. to implement a new Computerized Maintenance Management System (CMMS) that will require data management. The Maintenance Manager will work with the Division's Managers and Supervisors to ensure the integrity of the data input, work-order creation, work flow, work planning, reporting, etc. Without the Maintenance Manager position, the input of data will not have sufficient oversight to ensure that the data is accurate for reporting and decision making.

#### **7347 Plumber - \$94,458 annual salary**

The Port has had an increase in water and sewer line breaks over the last year resulting in discharges to the bay. The new position will increase the Plumbing Shop staff from five to six. The additional plumber position will provide for two boat crews, each crew requires three plumbers, to perform regularly scheduled under deck/pier plumbing inspections of water mains and laterals, sewer pump station sumps, force mains and gravity sewer lines.

### ***Reclassifications***

#### ***Administration and Finance***

0931 Manager III	(\$126,048)
0932 Manager IV	\$135,200

This position substitution is required to match the classification to the actual job duties and level of responsibility of assignments. The Fiscal Officer is primarily responsible for the preparation and accuracy of the Port's Official Financial Statement, and oversees accounting, accounts payable, reports and analysis, revenues and store room purchasing. The complexity of job duties has grown over time since the Port now receives more State and Federal grant funding and manages multiple debt types.

### ***Maritime Division***

9355 Wharfinger I	(\$66,170)
9356 Wharfinger II	\$76,076

The upgrade to a Wharfinger II is intended to address maritime operations and security-emergency management and response capabilities. The Port will experience a 50% increase in cruise vessel volume in 2011 with a number of days





with multiple vessel calls. Planning for the transition to a new cruise terminal at Pier 27 will call upon the Port's maritime operation staff to be nimble in coordinating this business expansion. The 9356 position requires additional qualifications for education and maritime experience in relation to the 9355 position with the expectation of performance at a higher degree of independent responsibility. The 9356 position also requires an increased experience and understanding of Federal and State regulations particularly Incident Command Systems (ICS) and the Maritime Transportation Security Act of 2002.

## ***Reassignments***

From Engineering to Real Estate, 5602 Utility Specialist

This position is currently in Engineering and will be reassigned to Real Estate to create a storm water and sanitary sewer program. The proposal is to staff the Real Estate Environmental Program with 2 positions: the existing position (5620 Regulatory Specialist) and the transferred 5602 Utility Specialist.

The 5602 positions would manage the programs, be responsible for the overall environmental management in the Real Estate division, implement City-wide environmental programs, manage environmental assessment and remediation projects as-needed, and supervise the 5602 position.

The existing 5620 position would be responsible for real estate environmental compliance, including implementing the storm water management program with public education and inspections, administering the Port's sanitary sewer management program, conducting tenant inspection and managing environmental consulting contracts.

There are no position changes proposed in the operating budget for FY 2012/13.

## **Conclusion**

The Port's proposed Fiscal Years 2011/12 and 2012/13 biennial operating budget is a modest 1.2 percent in the first year and 4.4 percent increase in the second, while adding \$0.6 million to the Port's operating reserve in FY 2011/12 and then reducing it \$0.3 million in FY 2012/13. The Port's proposed FY 2011/12 total expense budget of \$66,827,767 (including operating expenses and annual projects) is \$2 million less than total operating revenues of \$69,052,727.

The Port's proposed FY 2012/13 total expense budget of \$69,767,805 (including operating expenses and annual projects) is \$262,437 more than total operating revenues of \$69,505,368. This is driven by increases in salaries due to the end of the prior years' labor concessions. This small difference will be funded by the Port's fund balance. The Port's practice has been to expend fund balance money for capital appropriation expenses or to maintain operating reserves or for one-time, non-recurring uses. The Port's FY 2012/13 total expense budget includes several one-time costs such as the \$3.8 million budgeted for annual projects. Thus, using \$262,437 from the Port's fund balance is consistent with



the Port's practice of expending fund balance for one-time expenses. Notably, since the second year of the biennial budget is subject to re-review and re-appropriation next year, Port staff and the Port Commission may have the opportunity to make net changes that result in lower operating expenses than operating revenues.

The major increases in the proposed FY 2011/12 budget over the current year are in costs for salaries, mandatory fringe benefits, and debt service, which are offset by decreases in facilities maintenance projects, services of other departments, rents and leases, and materials and supplies. The major increases in the proposed FY 2012/13 budget over FY 2011/12 are also in salaries, mandatory fringe benefits, and debt service, offset slightly by decreases in other current expenses. The biennial budget continues to provide funding for one-time projects that will enable the Port to repair, manage, and develop the City's waterfront.

The Port's Fiscal Years 2011/12 and 2012/13 biennial revenue budget includes growth in maritime revenue, percentage rents and rent from parking lots. In addition, the Port's proposed revenue budget for interest on investments assumes a \$145,000 reduction to reflect average annual investment rate of 1.0 percent on the Port's operating fund balance. The revenue projection in this new two-year budget reflects the assumption of a slow economic recovery. While this budget is not ideal, because of a diverse revenue base, Port revenues remained resilient during the economic downturn and appear to be well situated to weather a slow economic recovery without making drastic reductions to the operating and capital budgets.

Prepared By: Elaine Forbes, Deputy Director  
Finance and Administration



**PORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 11- 08**

- WHEREAS, In November 2009, the voters of San Francisco approved Proposition A which amended Section 9.100 of the San Francisco Charter to require the City to adopt a new rolling two-year budget cycle; and
- WHEREAS, Under Section 9.100, each year the City will adopt a new biennial budget; and
- WHEREAS, Port Commission staff has developed a proposed Fiscal Years 2011-12 and 2012-13 Biennial Operating Budget; and
- WHEREAS, The proposed Biennial Operating Budget includes projected revenues of \$69,052,727 in Fiscal Year 2011-12 and \$69,505,368 in Fiscal Year 2012-13; and
- WHEREAS, The proposed Biennial Operating Budget includes projected expenses of \$66,827,767 in Fiscal Year 2011-12 and \$69,767,805 in Fiscal Year 2012-13; and
- WHEREAS, The proposed Biennial Operating Budget includes an operating reserve of \$10,004,665 in Fiscal Year 2011-12 and \$9,737,563 in Fiscal Year 2012-13; and
- WHEREAS, The proposed Biennial Operating Budget is described in greater detail in the staff's memorandum to the Port Commission, dated February 17, 2011, accompanying this Resolution and on file with the Secretary of the Port Commission; and
- WHEREAS, Staff recommends that the Port Commission approve the proposed Biennial Operating Budget; and
- WHEREAS, The proposed Biennial Operating Budget must also be approved by Mayor Edwin Lee and the Board of Supervisors; now, therefore, be it
- RESOLVED, That the Port Commission hereby approves the Fiscal Years 2011-12 and 2012-13 Biennial Operating Budget as presented by staff; and, be it further
- RESOLVED, That the Port Commission hereby authorizes the Executive Director to make such changes to the operating budget that the Executive Director deems to be in the Port's best interest, and, be it further





RESOLVED, That after the Biennial Operating Budget has been approved by Mayor Edwin Lee and the Board of Supervisors, staff will return to the Port Commission to report on, and receive Port Commission approval for, any material changes to the Biennial Operating Budget.

***I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 22, 2011.***

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Secretary





## MEMORANDUM

February 17, 2011

**TO:** MEMBERS, PORT COMMISSION  
Hon. Kimberly Brandon, President  
Hon. Ann Lazarus, Vice President  
Hon. Francis X. Crowley

**FROM:** Monique Moyer *M Moyer*  
Executive Director

**SUBJECT:** Request Approval of the Port's \$21.7 Million Capital Project Budget for Fiscal Years 2011/12 and 2012/13

**DIRECTOR'S RECOMMENDATION:** Approve Attached Resolution

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On February 8, 2011, Port staff presented a full informational report on the Capital Project Budget to the Port Commission, and no changes have been made to the report or the budget since the Port Commission's review.

### Recommendation

Based on the Port's existing capital project needs and identified funding sources, Port staff submits to the Port Commission the proposed Capital Project Budget for fiscal years 2011/12 and 2012/13 and the amended Pier 70, Building 2 repair project scope and recommends its approval for submission to the City's Capital Planning Committee, Mayor Edwin Lee's office and the Board of Supervisors, as detailed in the proposed resolution attached to this memorandum.

Port staff will return to the Port Commission later this summer to report on the adopted Capital Project Budget for fiscal years 2011/12 and 2012/13 and the amended project scope for Pier 70, Building 2 and detail for Port Commission approval any changes made by staff, the City's Capital Planning Committee, the Mayor or the Board of Supervisors.

### Proposed Capital Project Budget

Attached is the Capital Project Budget that Port staff is proposing for fiscal years 2011/12 and 2012/13. The proposed budget for capital projects for these two fiscal years, as detailed in Exhibit I, totals \$21,659,900, allocated as follows: \$13,109,900 for capital projects in fiscal year 2011/12, and \$8,550,000 for capital projects in fiscal year 2012/13.

**This Print Covers Calendar Item No. 7C**



Over the past several months, the Capital Plan Working Group (CPWG) (comprised of key Port staff from all Port divisions) reviewed and scored capital project funding requests submitted by the Port's divisions using a new scoring criteria developed for the ten-year capital plan. As a result, for the first time, the two year proposed capital budget is aligned with the ten year capital plan. The proposed two year capital budget reflects those capital projects which scored the highest, and for which there was either no or insufficient third party funding available.

The CPWG used the following criteria to determine which projects to recommend to the Port Commission for funding: (i) addresses a safety, health, code, or regulatory issue or threat to the environment; (ii) significant reduction in liability to the Port; (iii) promotion of commerce, navigation or fisheries; (iv) attraction of people to the waterfront; v) promotion of natural and cultural resources; and vi) availability of substantial project funding from outside funding sources.

Funding for these proposed projects will be provided by the unappropriated balance from the Port's operating funding, and funds generated from the defunding of selected existing capital projects.

#### **Revision to Previously Approved Capital Project Funding for FY 2011/12**

At its March 9, 2010 meeting, the Port Commission approved a \$38.5 million Port capital project budget for fiscal years 2010/11 and 2011/12 (resolution no. 10-08). The approved capital budget included \$12,543,000 in fiscal year 2011/12 for 13 different capital projects, as detailed in Exhibit I. The fiscal year 2011/12 capital project budget was based on \$12,543,000 in estimated available funding for the year as projected by Port staff. As part of the recently completed review and prioritization of capital project funding requests, Port finance staff re-estimated the amount of funding available based on the Port's 2009/10 fiscal year end close, and the Executive Director and CPWG re-examined the capital projects and funding levels approved for fiscal year 2011/12 in light of current Port operations and capital needs.

Since the fiscal year 2011/12 capital budget was last approved by the Port Commission the following significant changes have occurred in the Port's capital needs for the upcoming year:

- i) The need for more funding for the disposal of Drydock No. 1 as a result of a substantial increase in the disposal cost. Although the U.S. Department of Defense is contributing \$3 million toward the cost of disposal, the Port will need to add another \$1.8 million to the project in order to fully fund the disposal;
- ii) The need to add funds to the Port's emergency capital project fund. Use of project monies in recent years to pay for capital projects that were of an emergency or urgent nature has caused the available fund balance to drop below \$500,000, the minimum level considered adequate by Port management to handle potential emergency capital needs.





- iii) The need for \$500,000 to fund a portion of a local match requirement for the dredging of the Central Basin channel, as more fully described in the section titled Proposed Capital Project Budget Expenditures.

Changes to the previously approved fiscal year 2011/12 capital budget were also necessitated by a change in funding available from Port operations, as compared to the amount estimated last year. Based on the Port's 2011/12 fiscal year end close, operating surplus available to fund capital for fiscal year 2011/12 will be \$9.8 million. This is \$2.7 million lower than the \$12.5 million amount estimated in March of 2010. The reduction principally reflected: i) a delay in the completion of Transbay Cable; that, in turn, caused a delay in the receipt of a \$1 million payment from the company. The payment, expected in fiscal year 2009/10, was not received until this fiscal year, ii) an expected one-time \$505,000 increase in funding for annual projects for fiscal year 2010/11, and iii) the amount of operating funding in fiscal year 2009/10 carried over into fiscal year 2010/11 to fund on-going projects and contracts was higher than expected.

In light of the new funding needs, and the reduced operating surplus; Port staff is proposing that fiscal year 2011/12 funding levels be reduced for several capital projects, as compared to levels approved by the Port Commission in March 2010 (detailed in Exhibit I). In most cases the reduction represents a one year delay in project funding. Proposed funding cuts in fiscal year 2011/12 would be restored in fiscal year 2012/13. Finance staff worked closely with the Port's Divisions to ensure that the proposed funding delays would not have an adverse impact on the Port's capital program.

In addition to capital project funding reductions for fiscal year 2011/12, Port staff is proposing to fully or partially defund the following six existing capital projects, in order to secure sufficient monies to fund the revised fiscal year 2011/12 capital budget priorities.

<u>Project</u>	<u>Amount to be Defunded</u>	<u>Reason</u>
Mission Bay Fencing	\$170,000	Project no longer needed, work paid for by grant funds.
Pusher Boat Modification	57,286	Surplus, project complete.
Roof Repair Project	752,714	Funds to be returned to the project in a future period. Sufficient funds remain in project to fund current work.
Pier 80 High Mast Lighting	200,000	Majority of work paid for by grant funds.
Pier 80/92/96 Rail Track Maintenance	400,000	Funds to be returned to project in a future period. Sufficient funds remain in project to fund current work.
Pier 70, Building 2 Repairs	600,000	A change in project scope has reduced the funding needed.
Total	<u>\$2,180,000</u>	

As noted above, a change in scope of work for the Pier 70, Building 2 repair project has resulted in an estimated \$600,000 reduction in project costs.



The Pier 70 Building 2 repair project scope, as approved by the Port Commission in March, 2010, included a replacement of the roof, repairs to the windows and window systems, and repair and/or replacement of the building's structural elements, as needed. The purpose of the project is to stop water intrusion into the building during rainstorms. A recent investigation revealed that the cause of the water intrusion into the building is not the roof; but, instead, is the building's deteriorated rainwater downspouts. As a result, Port staff is proposing that the project scope be amended to eliminate the roof replacement task, and to add the following elements; a) repairs and/or replacement of the building's rainwater downspouts, b) boarding up of windows and window systems on the upper floors of the building, c) demolition of the damaged interiors on the building's upper floors; and d) hazardous materials abatement.

### **Proposed Capital Project Budget Funding Sources**

For fiscal year 2011/12, Port finance staff estimates that \$13,109,900 in funding will be available to fund capital projects. This funding consists of \$9,829,900 in currently available funding, plus \$1,100,000 from environmental payments from Transbay Cable LLC for fiscal years 2010/11 and 2011/12 (beginning in fiscal year 2010/11 the company is required to make annual environmental payments of \$550,000 for the next ten years), plus \$2,180,000 generated from defunding six existing capital projects, as discussed above.

For fiscal year 2012/13, Port finance staff estimates that \$8,550,000 in funding will be available for capital projects. This funding consists of \$8,000,000 in estimated operating surplus funding plus \$550,000 from the annual Transbay Cable payment.

The sources of funding for Port capital projects for the next two years is shown below:

#### **Funding for Capital Projects**

<u>Sources</u>	<u>FY 2011/12</u>	<u>FY 2012/13</u>	<u>Two Year Total</u>
Operating Funds From Prior			
Fiscal Year End Close	\$9,829,900	\$8,000,000	\$17,829,900
Funds Generated From the			
Full or Partial De-Funding of			
Existing Capital Projects.	2,180,000	0	2,180,000
Transbay Cable payments	<u>1,100,000</u>	<u>550,000</u>	<u>1,650,000</u>
Total Operating Funding	\$13,109,900	\$8,550,000	\$21,659,900

### **Proposed Capital Project Budget Expenditures**

The capital project budget expenditures that staff is proposing for fiscal years 2011/12 and 2012/13, shown in Exhibit I hereto, includes Port funding for: (i) the Port's maintenance dredging program for the next two years; (ii) a portion of a local match requirement for the dredging of the Central Basin channel to be completed by the Army Corps of Engineers; (iii) the clean up of the historic buildings located at Pier 70; (iv) replacement of the high mast lighting fixtures at Pier 94/96; and (v) major maintenance of the Port's rail track located in the southern waterfront. The proposed monies for the rail track maintenance





project in fiscal year 2012/13 represents a partial restoration of the funding taken from this project a year earlier.

The proposed capital budget also includes funding for an initial phase of a study to develop an infrastructure plan for Pier 70. Additional funding needed to complete the study would be provided in a future capital project budget.

Also included in the proposed capital project budget for fiscal years 2011/12 and 2012/13 is additional Port funding for: (i) the disposal of drydock no 1; (ii) the Port's emergency capital project fund; (iii) a capital project established to make physical improvements to Port facilities to make them more accessible to the disabled; (iv) capital projects established to repair the pier structures and utility infrastructure of Port facilities; (v) a capital project to fund capital improvements needed as part of the leasing process; (vi) a capital project established to repair sewer pumps along the Port's waterfront; (vii) a capital project established to drydock and repair the floats located at the Port's ferry terminals; (viii) a capital project to repair, upgrade and replace elevators and escalator systems located in various Port facilities; (ix) a capital project to fund the installation of a new forced sewer main on Amador Street; (x) a capital project to renovate an existing building to house the Port's Fisherman's Wharf Harbor office and the SFPD's marine unit; (xi) a capital project established to fund open space and alternative energy projects that meet guidelines outlined in the Port's lease agreement with Transbay Cable; and (xii) a capital project established for greening and beautification projects at sites located in the southern waterfront. The additional funding proposed for this last project will cover the Port's expected obligations generated by leasing activity projected over the next two years.

Prepared By: Lawrence Brown, Financial Analyst

For: Elaine Forbes, Deputy Director  
Finance and Administration





**PORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 11-09**

WHEREAS, The Port estimates that it will have \$13,109,900 in available funds for capital projects in FY 2011/12 held in its Operating Fund consisting of the following: (1) \$9,829,900 derived from the 2009/10 fiscal year end fund balance; (2) \$1,100,000 from environmental payments from Transbay Cable LLC for fiscal years 2010/11 and 2011/12; and (3) \$2,180,000 derived from either fully or partially defunding the following six existing capital projects

Mission Bay Fencing Project  
Pusher Boat Modification Project  
Roof Repair Project  
Pier 80 high Mast Lighting Project  
Pier 80/92/96 Rail Track Maintenance Project  
Pier 70, Building 2 Repair Project; and

WHEREAS, The Port estimates that it will have \$8,550,000 in available funds for capital projects in FY 2012/13 held in its Operating Fund consisting of the following: (1) \$8,000,000 derived from an estimated 2010/11 fiscal year end fund balance; and (2) \$550,000 from an environmental payment from Transbay Cable LLC; and

WHEREAS, Port staff recommends the allocation of \$13,109,900 in Port funding for Fiscal Year 2011/12 for the following capital projects:

Ferry Terminal Float Repairs  
Pier 70 Historic Buildings Clean-up  
Drydock #1 Emergency Response and Disposal  
Amador Street Forced Sewer Main and Pump Station  
Southern Waterfront Greening and Beautification Improvements  
Southern Waterfront Open Space Enhancements/Alternative Energy  
Emergency Capital Project Fund  
Dredge Materials Testing – FY 2011/12 Program  
Maintenance Dredging – FY 2011/12 Program  
Port ADA Transition Plan  
Pier Structures Repair Project, Phase II  
Utilities Project  
Leasing Capital Improvement Project  
Port Elevators/Escalator Upgrade, Repair and Replacement; and

WHEREAS, Port staff recommends the allocation of \$8,550,000 in Port funding for Fiscal Year 2012/13 for the following capital projects:

Fisherman's Wharf Harbor Office and Marine Unit Headquarters'  
Building



Ferry Terminal Float Repairs  
Pier 70 Infrastructure Study  
Southern Waterfront Open Space Enhancements/Alternative Energy  
Pier 80/92/96 Rail Track Maintenance Project  
Pier 94/96 High Mast Lighting Project  
Emergency Capital Project Fund  
Dredge Materials Testing – FY 2012/13 Program  
Maintenance Dredging – FY 2012/13 Program  
Port ADA Transition Plan  
Pier Structures Repair Project, Phase II  
Utilities Project  
Waterfront Sewer Pump Project  
Leasing Capital Improvement Project  
Port Elevators/Escalator Upgrade, Repair and Replacement; and

WHEREAS, Staff has designated each of the capital projects identified above a high priority; and

WHEREAS, A recent investigation of the Pier 70 Building 2, approved by the Port Commission at its March 9, 2010 meeting, has revealed a need to amend the scope of Pier 70 Building 2 Repair Project to eliminate the roof replacement task in the project scope, and to add to the project scope the following tasks: (1) repair and/or replacement of the building's rainwater downspouts, (2) boarding up of windows and window systems on the upper floors of the building, c) demolition of the damaged interiors on the building's upper floors; and d) hazardous materials abatement; and

WHEREAS, The proposed Capital Project Budget and the proposed changes to the Pier 70 Building 2 project scope are described in greater detail in the staff's memorandum to the Port Commission, dated February 17, 2011 accompanying this Resolution and on file with the Secretary of the Port Commission; and

WHEREAS, Staff recommends approval to either fully or partially defund the six existing capital projects described above in order to obtain \$2,180,000 needed to fully fund the Capital Project Budget for Fiscal Year 2011/12; and

WHEREAS, Staff recommends the approval of the Capital Project Budget for Fiscal Year 2011/12 and 2012/13 in the amount of \$13,109,900 for Fiscal Year 2011/12 and \$8,550,000 for Fiscal Year 2012/13, for the capital projects described above; and

WHEREAS, Staff recommends the approval of the proposed amendments to the Pier 70 Building 2 Repair project scope described above; now, therefore, be it



- RESOLVED, That the Port Commission hereby authorizes Port staff to either fully or partially defund the six existing capital projects identified in this Resolution for total combined amount of \$2,180,000; and, be it further
- RESOLVED, That the Port Commission hereby authorizes the funding of \$13,109,900 from the Operating Fund for FY 2011/12, and \$8,550,000 in funding from the Operating Fund for FY 2012/13, to fund the capital projects identified in this Resolution; and, be it further
- RESOLVED, That the Port Commission hereby approves the Capital Project Budget for Fiscal Years 2011/12 and 2012/13 in the amount of \$13,109,900 for Fiscal Year 2011/12 and \$8,550,000 for Fiscal Year 2012/13; and, be it further
- RESOLVED, That the Port Commission hereby approves the proposed changes to the Pier 70 Building 2 project scope as described in this Resolution; and, be it further
- RESOLVED, That staff is directed to submit the Capital Project Budget for Fiscal Years 2011/12 and 2012/13 in the amount of \$13,109,900 and \$8,550,000; respectively, and the amended Pier 70 Building 2 project scope to the City's Capital Planning Committee, Mayor Edwin Lee and the Board of Supervisors for approval; and, be it further
- RESOLVED, That after submittal of the Capital Project Budget and the amended Pier 70 Building 2 project scope to the City's Capital Planning Committee, Mayor Edwin Lee and/or the Board of Supervisors, the Executive Director may make such changes to the budget and the Pier 70 Building 2 project scope that the Executive Director deems to be in the Port's best interest; and, be it further
- RESOLVED, That after the Capital Project Budget and the amended Pier 70 Building 2 project scope has been approved by the City's Capital Planning Committee, Mayor Edwin Lee and the Board of Supervisors, staff will return to the Port Commission to report on, and receive Port Commission approval for, any material changes to the Capital Project Budget, and/or the Pier 70 Building 2 project scope.

***I hereby certify the foregoing resolution was adopted by the Port Commission at its meeting of February 22, 2011.***

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**Secretary**





**EXHIBIT I**

**Capital Projects**  
**Proposed Funding for FYs 2011/12 and 2012/13**

	<b>FY 2011/12</b>		<b>FY 2012/13</b>	<b>Proposed</b>
	<b>Previously Approved Funding</b>	<b>Current Proposed Funding</b>	<b>Proposed Funding</b>	<b>Two Year Funding Total</b>
<b>Projects Funded from Port Operating Fund Balance</b>				
<i>Fisherman's Wharf:</i>				
FW Harbor Office and Marine Unit Headquarters' Building	0	0	200,000	200,000
<i>Ferry Building Area &amp; South Beach:</i>				
Ferry Terminal Float Repairs – Add'l Funding	350,000	350,000	300,000	650,000
<i>Southern Waterfront:</i>				
Pier 70 Historic Buildings Clean-Up	50,000	50,000	0	50,000
Pier 70 Infrastructure Study	0	0	100,000	100,000
Dry Dock #1 Emergency Response and Disposal – Add'l Funding	0	1,816,900	0	1,816,900
Amador Street Forced Sewer Main & Pump Station	1,000,000	900,000	0	900,000
Southern Waterfront Greening/Beautification Improvements	150,000	150,000	0	150,000
Southern Waterfront Open Space Enhancements/Alternative Energy	550,000	550,000	550,000	1,100,000
Pier 80,92,96 Rail Track Maintenance	0	0	100,000	100,000
Pier 94/96 High Mast Lighting Project	0	0	300,000	300,000
<i>Portwide Projects:</i>				
Emergency Capital Project Fund	0	200,000	100,000	300,000
Dredge Materials Testing FYs 2011/12 & 2012/13 Programs	731,000	750,000	700,000	1,450,000
Maintenance Dredging FYs 2011/12 & 2012/13 Programs	2,987,000	3,045,500	2,595,340	5,640,840
Port ADA Transition Plan – Add'l Funding	200,000	200,000	175,000	375,000
Pier Structures Repair Project, Phase II – Add'l Funding	5,600,000	4,622,500	2,725,000	7,347,500
Utilities Project – Add'l Funding	175,000	175,000	204,660	379,660
Waterfront Sewer Pump Project, Phase II – Add'l Funding	100,000	0	100,000	100,000
Leasing Capital Improvement Project - Add'l Funding	150,000	100,000	100,000	200,000
Port Elevator/Escalator Upgrade, Repair, and Replacement Project	500,000	200,000	300,000	500,000
<b>Projects Funded From Operating Fund Balance - Total</b>	<b>\$12,543,000</b>	<b>\$13,109,900</b>	<b>\$8,550,000</b>	<b>\$21,659,900</b>
<b>Total Proposed Project Funding</b>		<b>\$13,109,900</b>	<b>\$8,550,000</b>	<b>\$21,659,900</b>



**CAPITAL PROJECT BUDGETS**  
(Port Operating Fund Balance)

<u>Project Name</u>	<u>FY 2011/12</u>	<u>FY 2012/13</u>	<u>Description</u>
Fisherman's Wharf Harbor Office and Marine unit Headquarters' Building	\$0	\$200,000	<p>This project provides funding for the design, renovation, and outfitting of an existing building to house the Port's Fisherman's Wharf Harbor office and the administrative office of the San Francisco Police Department's Marine Unit. The renovated building will also include staff restrooms &amp; shower, changing room, storage room, and a public meeting room.</p> <p>Initial funding was provided for geotechnical, soil and water investigation, hazard materials assessment, and conceptual design. The Port has secured a \$1.865 million grant from the California Emergency Management Agency for architectural and engineering services, detailed design and renovation of the building. Funding is now needed for furnishings and other items that are not eligible for grant funding.</p> <p>The Port's current harbor office is located on the second floor of a building on Wharf J-9, and is not ADA compliant. The SFPD marine unit is housed in a temporary trailer that displaces parking places for Hyde Street Harbor. A new ground floor Port harbor office would offer more space and be ADA compliant. Additionally, improving the facilities for the SFPD's marine unit will enhance maritime safety and security in the Fisherman's Wharf harbor area. This project is scheduled to be completed well ahead of the 34 running of the America's Cup yacht races in 2013.</p>
Ferry Terminal Float Repairs Project – Add'l Funding	\$350,000	\$300,000	<p>This project provides funding for drydocking the Port's ferry terminal floats, resurfacing of the float decks, fender replacement, and electrical repairs.</p> <p>\$650,000 in funding was appropriated in FYs 2008/09 and 2009/10 for this project. \$650,000 in additional funds over the next two years is being provided to complete the funding needed for the drydocking of these terminal floats.</p> <p>The Port's public ferry terminal floats have been in continuous service for nine to ten years and are now in need of overhaul and repairs in order to maintain their safe operation.</p>
Pier 70 Historic Buildings Clean-Up	\$50,000	\$0	<p>This project will fund the clean up of debris within the historic buildings located within the Pier 70 National Historic District.</p> <p>\$100,000 in funding was appropriated in FY 2010/11, and the \$50,000 in funding for FY 2011/12 completes the \$150,000 in initial funding provided to clean up debris in Buildings 101, 113, and 104. Funding is also provided to clean up other historic buildings in the Pier 70 National Historic District as needed. Funding is also available for the rental and/or purchase of equipment, as needed to facilitate the clean up.</p> <p>Debris, and waste contribute to increased deterioration of the Pier 70 National Historic District's historic buildings, and limit their marketability. Cleaning up these buildings will help to retard the continued deterioration, and will increase the marketability of these structures to developers.</p>





**CAPITAL PROJECT BUDGETS (cont)**  
**(Port Operating Fund Balance)**

<u>Project Name</u>	<u>FY 2011/12</u>	<u>FY 2012/13</u>	<u>Description</u>
Pier 70, Infrastructure Study	\$0	\$100,000	<p>Following an extensive public planning process, the Port published its Master Plan for the Pier 70 area in April 2010. The Master Plan balances ship repair activities, new waterfront parks, rehabilitated historic buildings, and new development opportunities over the 69-acre area. Several implementation efforts are underway including working with the ship repair operator, seeking developers for historic buildings, initial park improvements, and a 25 acre development project.</p> <p>This project provides funding for a comprehensive study and design of the infrastructure systems at Pier 70. The infrastructure systems (roadways, water, sewer, electrical and storm water) will all need to be built or rebuilt in order to support a reuse of the site. A study is needed to determine the existing infrastructure, design appropriate systems to support the planned reuse of the site, develop cost estimates, identify infrastructure financing mechanisms, and to develop a model to equitably allocate costs across future users.</p> <p>By developing the infrastructure design and cost estimates itself, rather than relying on potential developers to accomplish these tasks, the Port can expedite the project approvals and reduce uncertainty for these developers, thereby reducing the overall project costs, and improving the Port's expected financial return.</p>
Drydock No. 1 Emergency Response and Disposal	\$1,816,900	\$0	<p>Drydock No. 1, an old obsolete drydock, broke its mooring during a high wind storm on November 7, 2002 and went adrift, finally running aground on Yebra Buena Island. The vessel is currently moored at a berth at Pier 80.</p> <p>To date, \$2.6 million has been spent on i) the emergency response and salvage operations required to recover the drydock and transport it to safe harbor at the Port; ii) mooring charges for storage of the drydock at the BAE San Francisco Drydock facility; and iii) moving the drydock from the San Francisco Drydock facility to Pier 80.</p> <p>Additional funding is now needed to permanently dispose of the drydock, which is expected to cost approximately \$5.5 million. Also included are RFQ/RFP and related costs, costs for consultants and engineers, construction and contract management, and the purchase of equipment needed to complete the disposal.</p> <p>While the vessel is secured at Pier 80, there remains the possibility that the drydock could break free from its mooring in the future. There is also a risk of the vessel sinking. Final disposition of the drydock would eliminate the Port's liability now associated with this vessel.</p>





**CAPITAL PROJECT BUDGETS (cont)**  
**(Port Operating Fund Balance)**

<u>Project Name</u>	<u>FY 2011/12</u>	<u>FY 2012/13</u>	<u>Description</u>
Amador Street Forced Sewer Main & Pump Station	\$900,000	\$0	<p>This project will finance the installation of a new forced sewer main from the Port's Amador Street pump station to DPW's manhole on Third Street. The Amador Street pump station will also be rebuilt as part of the project scope.</p> <p>The current forced sewer main is very old and breaks frequently causing backed-up drains in tenant spaces. In addition, the pump station is running at maximum capacity. Future increases in tenant effluent loads will likely overtax the system, and lead to increased failure of this sewer line. A new line will provide more dependable sewage service. Completion of the project will also allow the Port to increase the capacity of its sewer pumping system, and help the Port maximize the rental income from its facilities in this area.</p>
Southern Waterfront Greening/Beautification Improvements	\$150,000	\$0	<p>This project provides funding for greening and beautification projects and related improvements for sites located in the Southern Waterfront.</p> <p>On November 17, 2007 the Port Commission adopted a policy that established a Southern Waterfront Community Benefits and Beautification Fund, and a funding mechanism consisting of a revenue set aside from the collection of rent generated by new leasing in the area.</p> <p>To date, \$380,000 in funding has been provided for this project. \$150,000 is now needed to cover the Port's expected obligation generated by projected leasing activity in FY's 2011/12 &amp; 2012/13. Projects to be funded by this project include: i) planning and design of improvements to beautify the area at Third Street and Cargo Way; ii) a bike and pedestrian improvements to beautify Cargo Way, iii) public art for the silos at Pier 90; and iv) improvements to Tulare Park. Funding is also provided for other greening and beautification projects for the southern waterfront as needed.</p> <p>The projects and improvements funded by this project will contribute to the quality of life for visitors and residents that live in communities that are adjacent to the Port's property in the Southeast part of San Francisco.</p>



**CAPITAL PROJECT BUDGETS (cont)**  
**(Port Operating Fund Balance)**

<u>Project Name</u>	<u>FY 2011/12</u>	<u>FY 2012/13</u>	<u>Description</u>
Southern Waterfront Open Space Enhancements and Alternative Energy	\$550,000	\$550,000	<p>This project provides funding for the development of new open spaces and improvements to existing open spaces located within the area of the southern waterfront that is the focus of the Port's Blue-Greenway planning process. Projects to be funded may likely include: i) improvements within the Pier 70 project area, Warm Water Cove Park, and Islais Creek; ii) public art installation; and iii) detail design for pedestrian and bicycle improvements along Illinois Street and Cargo Way.</p> <p>Funding is provided for the design and construction of open space improvements, including forms of public art. Project funds may also be utilized to support alternative energy projects that meet guidelines outlined in the Port's lease agreement with Transbay Cable.</p>
Piers 80, 92, 96 Rail Track Maintenance	\$0	\$100,000	<p>This project funds the repair and/or replacement of deteriorated railroad track at Piers 80, 92, and 94/96. Funding is also provided for consultant studies, as well as the engineering and construction of additional rail links to these facilities and other rail improvements.</p> <p>Recent studies performed by a railroad consultant indicate that improvements to the rail track system at Pier 80, and 94/96 are needed to improve the versatility and productivity of these facilities. In addition, failure to maintain the Port's rail trackage can ultimately lead to track failure and derailment of locomotive and flat cars.</p>
Pier 94/96 High Mast Lighting Project	\$0	\$300,000	<p>This project provides funding to replace the high mast lighting fixtures at Pier 94/96 including deteriorated electrical components and climbing safe devices on the high mast lighting standards. The project will also replace the rusted climbing studs on the light poles with new ladders.</p> <p>The existing high mast lighting fixtures are 20 - 25 years old, and they have deteriorated to such an extent that re-lamping the fixtures is now both difficult and expensive. In addition, the existing climbing devices on the poles are unreliable and unsafe. Replacing the old fixtures with new ones will make it much easier and safer to re-lamp the high mast lights when needed.</p>
Emergency Capital Project Fund	\$200,000	\$100,000	<p>This project provides funding for unforeseen capital projects which are of an urgent or emergency nature. Emergency projects are those that: (i) adversely affect health and safety if not done immediately; (ii) are required by law to be completed immediately; or (iii) will have a serious adverse impact on Port assets if not done immediately. Funding is also provided for disaster response and recovery. Additional funding is needed to bring the available appropriated funding in this project up to \$500,000; the minimum level considered adequate for this purpose by Port management. Not having sufficient available appropriated funding to address disaster response and recovery, and emergency projects in a timely manner could have a serious negative impact on the Port and its operations.</p>





**CAPITAL PROJECT BUDGETS (cont)**  
**(Port Operating Fund Balance)**

<b>Project Name</b>	<b>FY 2011/12</b>	<b>FY 2012/13</b>	<b>Description</b>
Dredge Materials Testing – FYs 2011/12 and 2012/13 Programs	\$750,000	\$700,000	<p>This project will fund the testing of sediments to be dredged for chemical and biological contaminants. This project supports the Port's dredging activities scheduled for FYs 2011/12 and 2012/13.</p> <p>Environmental regulations require chemical and biological testing of the sediments in any area to be dredged in order to determine the amount (if any) of contaminants in the soil. Results of the testing are used to determine the proper disposal site.</p>
Maintenance Dredging – FYs 2011/12 and 2012/13 Programs	\$3,045,500	\$2,595,340	<p>This project will fund the Port's dredging activities scheduled for FYs 2011/12 and 2012/13. It will fund dredging at Piers 27 and 35, 80, the Islais Creek Channel, and other berths as needed.</p> <p>This project also provides a portion of local match funding for the dredging of the Central Basin channel located offshore of BEA Systems' San Francisco Ship Repair leasehold.</p> <p>The Army Corp of Engineers has recently agreed to include the Central Basin channel as part of the San Francisco Bay that is under their responsibility to maintain as a navigable waterway. As a result, going forward they will be responsible for the dredging of this waterway. Before the Army Corps takes over dredging responsible depth. However, the channel needs to be dredged to ensure that it is at the required navigable depth. The Army Corps has agreed to assume 75% of \$4 million estimated cost of this initial dredge. This leaves a local match requirement of \$1 million. This project provides 50% (or \$500,000) of the funding needed for the local match requirement. It is anticipated that BAE Systems will contribute the remaining \$500,000 needed for the local match.</p> <p>Maintenance dredging is necessary for the continued operation of Port maritime facilities. Dredging keeps berths and channels at navigable depths, including sites where the Port has contractual obligations with shipping lines and operators.</p> <p>In the case of the Central Basin channel, the approach to BAE System's ship repair facilities continues to grow more shallow; which, in turn, is limiting the type of vessels that the shipyard can work on, as well as negatively impacting the revenue generating ability of the facility.</p>





**CAPITAL PROJECT BUDGETS (cont)**  
**(Port Operating Fund Balance)**

<u>Project Name</u>	<u>FY 2011/12</u>	<u>FY 2012/13</u>	<u>Description</u>
Port ADA Transition Plan – Add'l Funding	\$200,000	\$175,000	<p>This project provides funding for physical improvements to the Port's public facilities to make them accessible to the disabled. To date, \$2,133,961 has been appropriated for this project; almost all of which has been committed for specific ADA projects.</p> <p>Additional funds are now needed for curb ramps and sidewalk improvements throughout the Port and for various ADA upgrades to the Port's Agricultural Building. Funding is also available for other accessibility repairs and improvements as needed.</p> <p>This project helps the Port meet its goal of making its facilities more accessible to Port tenants and the public.</p>
Pier Structures Repair Project, Phase II - Add'l Funding	\$4,622,500	\$2,725,000	<p>This project funds engineering, permitting, inspection and repair of, or improvements to, the Port's deteriorated pier structures including substructures, superstructures, and marginal wharfs. Funds are also provided for labor and equipment as needed. To date, \$5,514,500 has been appropriated for this project; almost all of which has been committed for pier repair projects.</p> <p>Additional funds are now needed for the repair of the fenders at Piers 27 and 35, long term repairs to Pier 22, subsidence stabilization repairs for Pier 94/96, and repairs to and/or the replacement of the deck and seawall at Wharf J9. Funding provided will also cover pier-related repairs at other facilities as required.</p> <p>Repairing the Port's pier structures is necessary to ensure: (i) the continued safe operation of the Port's pier superstructures and buildings, (ii) the preservation of lease revenues, and (iii) the extension of the economic life of the Port's pier and marginal wharf assets.</p>
Utilities Project – Add'l Funding	\$175,000	\$204,660	<p>This project provides funding for necessary utility repair and capacity related improvements to the utility infrastructure servicing various Port facilities. Utilities include electric power, lighting, telephone, gas, HVAC, water, electronic security, sewer and drainage service. This project also funds fire system certification, and needed repairs and improvements to fire and alarm systems at various facilities. Also included is funding for labor and equipment as needed to facilitate the repairs. Since FY 2003/04, \$3,075,000 has been appropriated for this project; almost all of which has been committed for specific utility projects.</p>



**CAPITAL PROJECT BUDGETS (cont)**  
**(Port Operating Fund Balance)**

<b>Project Name</b>	<b>FY 2011/12</b>	<b>FY 2012/13</b>	<b>Description</b>
Utilities Project – Add'l Funding (continued)			Additional funds are now needed for: i) improvements to the electrical service at Pier 33, ii) utility improvements needed to implement enhancements to the security of Building 113 at Pier 70, and iii) utility mapping. Funding provided is also available for utility-related repairs at other facilities as needed.  Repairs to the Port's utility systems is needed to keep the Port's facilities in service and for public safety. In addition, many of the Port's pier sheds have a utility infrastructure that is only adequate for warehouse use. The Port's ability to rent space is often hampered by the need for additional utility capacity. Increasing capacity where necessary will allow the Port to maximize the rental income from its facilities.
Waterfront Sewer Pump Project, Phase II – Add'l Funding	\$0	\$100,000	This project provides funding for the purchase of electric motors, pump, and controls, and related parts & supplies need to: i) repair sewer pumps currently in use along the Port's waterfront; and ii) build a set of backup sewer pumps.  Many of the Port's sewer pumps are over 40 years old and beginning to fail. The Port's maintenance staff is constantly moving operating pumps between pump stations in order to maintain sewer service for our tenants and for restrooms located in public access areas. This project will help to make the Port's sewer system more dependable.  \$100,000 was appropriated in FY 2009/10 for this project. An additional \$100,000 in funding will be needed in FY 2012/13 to continue the repair of the Port's pump stations and sewer pumps.
Leasing Capital Improvement Project – Add'l Funding	\$100,000	\$100,000	As part of lease negotiations with Port tenants, or potential tenants, it is sometimes necessary for the Port to make certain improvements to a facility in order to close a lease. This project provides funding for capital improvements needed as part of the leasing process. Improvements financed may include, but are not limited to, electrical and plumbing upgrades, roof repairs, HVAC, structural improvements, ADA upgrades, paving, and fencing.  To date, \$1,550,000 has been provided for urgent repairs to Pier 19/23 and site improvements to parcels located in the backlands area of the southern waterfront. \$200,000 in additional funding is now needed to fund capital improvements that may be needed over the next two years at various facilities as part of the leasing process.



**CAPITAL PROJECT BUDGETS (cont)**  
**(Port Operating Fund Balance)**

<u>Project Name</u>	<u>FY 2010/11</u>	<u>FY 2011/12</u>	<u>Description</u>
Port Elevator/Escalator Upgrade, Repair and Replacement Project	\$200,000	\$300,000	<p>This project provides funding for the repair, upgrade and replacement of the elevator and escalator systems located in various Port facilities. Included in the project scope are replacement of the control systems, as needed. Funds are also provided for labor and equipment as needed.</p> <p>Most of the Port's elevator and escalator systems are old and in need of significant repair, upgrade, or, in some cases, replacement. In addition, some of the Port's systems do not meet current ADA standards for accessibility. The project will help ensure that the Port's elevators and escalators operate efficiently and safely. It will also bring the Port's elevator and escalators into ADA compliance, and will help ensure that the systems maintain their certification to operate.</p>

Total Proposed Project  
Funding From Operating  
Fund Balance

\$13,109,900    \$8,550,000







## MEMORANDUM

February 17, 2011

**TO:** MEMBERS, PORT COMMISSION  
Hon. Kimberly Brandon, President  
Hon. Ann Lazarus, Vice President  
Hon. Francis X. Crowley

**FROM:** Monique Moyer *M Moyer*  
Executive Director

**SUBJECT:** Request approval to execute a contract modification to Contract No. 2738, Pier 19 Roofing and Minor Dry Rot Repair Project, with D.F.P.F. Corporation dba Fine Line Construction to extend the original Contract duration of 120 days by an additional 34 days.

**DIRECTOR'S RECOMMENDATION:** Approve the Attached Resolution

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### Introduction

Port staff requests that the Port Commission authorize the contract modification to Contract No. 2738, the Pier 19 Roofing and Minor Dry Rot Repairs Project, to extend the original Contract duration of 120 days by an additional 34 days.

### Background

The Pier 19 Roofing and Minor Dry Rot Repair Project consists of removal of existing roofing materials, hazardous material abatement, selective dry rot repair to the roof deck, concrete parapet repairs, refurbish existing historic features including windows, repair and improve drainage as required and provide a new built-up membrane roof with a cool roof coating. One alternate bid item was awarded to include concrete parapet repairs on the exterior side of the building.

The Port Commission authorized the award of the Contract on July 13, 2010. Section 6.22(H) of the City Administrative Code requires Commission approval when, as here, the proposed time extension will exceed the original contract duration by more than 10%.

The proposed time extension is needed due to an above average rain fall and cold weather over this winter season and for additional effort required for unforeseen field conditions. The Port's contract specifications allow for rain days in October, November,

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December and January. Due to above average rain and cold weather days in the months of October, November and December, the Contractor was unable to work and exceeded the five day rain allowance for those three months by 19 days. This included rain days and days when cold weather precluded the installation of roofing materials as required by manufacturer's requirements. In the month of January, the rain weather delays fell to within the three day contract allowance. Fifteen additional days were required for repair of unforeseen conditions relating to additional dry rot in fascia boards that were exposed during demolition, and the additional work to repair historic windows. The extent of the repair related to historic windows could not be determined during the design phase as the investigation would have required destructive demolition of historic windows and window flashing.

### **Funding**

The project cost - including base bid, alternate bid item, and contingency - is funded by the Port Revenue Bond, Series 2010 account CPO 920, designated for repairs at Pier 19.

The project is within the contract funding allocation as shown in the table below:

Title	Amount
Base Bid	\$1,821,922
Alternate Bid	\$70,682
Contract Amount	\$1,892,604
10% Project Contingency Requested	\$189,260
Actual Change Orders	\$44,930
Actual Project Contingency Used	2.4%
Total Project Funding Amount	\$1,937,534

### **Schedule**

The revised project schedule is summarized below:

Milestone Activity	Original Schedule	Revised Schedule
Port Commission Award	July 13, 2010	-
Notice to Proceed (NTP)	September 1, 2010	-
Contact Substantial Completion	December 29, 2010	February 1, 2011
Contract Final Completion	February 27, 2011	April 2, 2011



## Summary

Port staff request Commission authorization to execute a contract modification to Contract No. 2738, Pier 19 Roofing and Minor Dry Rot Repair Project, with Fine Line Construction, to extend the Contract duration of 120 days by an additional 34 days, and Commission ratification and all actions taken by the Port staff in furtherance of such contract modification and time extension.

Prepared by:	Wendy Proctor, Project Architect
For:	Edward F. Byrne, Chief Harbor Engineer





**PORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO  
RESOLUTION NO. 11-10**

WHEREAS, The Port Commission previously authorized award of Contract No. 2738, Pier 19 Roofing and Minor Dry Rot Repair Project, Port Contract No. 2738, to D.F.P.F. Corporation dba Fine Line Construction ("Contractor") pursuant to Commission Resolution No. 10-45; and

WHEREAS, The Contractor substantially completed the work for the Pier 19 Roofing and Minor Dry Rot Repair Project on February 1, 2011, after the contract date for substantial completion on December 29, 2010; and

WHEREAS, The substantial completion date of the project was delayed by above average rain delays, cold weather delays, and unforeseen conditions relating to dry rot damage and historic windows that required additional repair during construction; and

WHEREAS, Port staff have determined that the Contractor was unable to complete the work within the time specified in the contract because of unavoidable delays as defined in the contract, which warrants a time extension for completion of the work; and

WHEREAS, the Project cost is within the contract funding awarded in Resolution No. 10-45; now, therefore be it

RESOLVED, that the Port Commission hereby authorizes Port staff to execute a contract modification to Contract No. 2738, Pier 19 Roofing and Minor Dry Rot Repair Project, to extend the original Contract duration of 120 days by an additional 34 days and the Port Commission further ratifies all actions taken by the Port staff in furtherance of such contract modification and time extension.

***I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of February 22, 2011.***

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Secretary





## MEMORANDUM

February 17, 2011

**TO:** MEMBERS, PORT COMMISSION  
Hon. Kimberly Brandon, President  
Hon. Ann Lazarus, Vice President  
Hon. Francis X. Crowley

**FROM:** Monique Moyer  
Executive Director *MMoyer*

**SUBJECT:** Request authorization to execute a contract modification to Contract No. 2736, Marine Structural Project II, with Cowhey Pacific Drilling, Inc., to extend the original Contract duration of 200 days by an additional 113 days

**DIRECTOR'S RECOMMENDATION:** Approve Attached Resolution

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### Introduction

Port staff requests that the Port Commission authorize a contract modification to the Marine Structural Project II, Contract No. 2736, to extend the original Contract duration of 200 days by an additional 113 days. Section 6.22(H) of the City Administrative Code requires Port Commission approval for this proposed contract modification because the time extension will cumulatively extend the original Contract duration by more than 10 percent.

### Background

The Port Commission, at its meeting on March 9, 2010, authorized staff to award Contract No. 2736, Marine Structural Project II, to Cowhey Pacific Drilling, Inc., in the not-to-exceed amount of \$1,471,000, with an additional 10% contingency (Port Commission Resolution 10-11).

The project consists of two work scopes: 1) repair of the Ferry Building North Public Plaza substructure deck, and 2) repair and upgrade to Hyde Street Harbor Fuel Dock substructure to current code standards for seismic and berthing loads.

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## **Funding**

The Project costs are fully funded. The funding sources and amounts are noted below:

Funding Source	Funding Amount
CPO 741 – Pier Repair Fund	\$719,000
CPO 778 – Pier Structure Repair Project Phase II Fund	\$899,100
	\$1,618,100

Although \$147,100 is available in the project contingency budget, the extra work associated with the contract modification is expected to consume only approximately 1.3% of authorized contingency funds.

## **Schedule**

Port staff became aware of the potential delay in project completion when the Contractor encountered the following conflicts on contract drawings prepared by Port consultant, for Hyde Street Fuel Dock project site. The field conflict became apparent within days of the scheduled substantial completion date for the Project. The Port consultant provided design revisions as required at no cost to the Port of San Francisco to promptly resolve construction conflicts. The following list describes the conflicts encountered in the field:

1. The dimensions shown on structural steel framing plan for Hyde Street Fuel Dock substructure were not reflective of the existing field conditions.
2. The location of a substructure structural steel bracing member interfered with an existing sump. The contract drawing did not adequately show a detail to bypass the existing sump.

The Contractor submitted multiple Requests for Information (RFIs) seeking direction from the Port to address these conflicts. The Port responses to these RFIs generated a number of design alternatives. Port staff and the Contractor met on several occasions to discuss these alternates and after protracted negotiations, staff selected the design solution which provided the best value from the point of view of cost and schedule. The extra work, although relatively minor when compared to the entire project, included long lead time for material delivery. Also, inclement weather and tides negatively impacted the execution of the additional work, adding to the schedule delay. The Contractor did not request extended overhead charges for the increased time required to resolve this additional time.

The following summary shows the revised project schedule under the proposed contract modification:

Milestone Activity	Original Schedule	Revised Schedule
Commission Award	March 9, 2010	-
Notice to Proceed (NTP)	April 26, 2010	-
Substantial Completion	November 11, 2010	March 4, 2011
Estimated Final Completion	December 11, 2011	March 30, 2011





## Summary

This construction project could not be completed within the completion dates specified in the contract, as shown above, because of unavoidable delays as defined in the contract, which warrant a time extension of the contract. Under these circumstances, where the extension of time exceeds ten percent of the original contract duration, Section 6.22(H) of the Administrative Code requires approval of the Commission for the time extension.

Port staff recommends that the Port Commission authorize this contract modification to the Marine Structural Project II, Contract No. 2736, to extend the original contract duration of 200 days by an additional 113 days, and that the Commission ratify all actions taken by the Port staff in furtherance of such contract modification and time extension.

Prepared by: Winnie Lee, Project Engineer  
and Joe Roger, Project Manager

For: Edward F. Byrne, Chief Harbor Engineer



**PORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO  
RESOLUTION NO. 11- 11**

WHEREAS, the Port Commission previously authorized the award of Construction Contract No. 2736, Marine Structural Project II, to Cowhey Pacific Drilling, Inc. (the "Contractor") on March 9, 2010; and

WHEREAS, Port staff became aware of the potential delay in project completion when the Contractor encountered the following issues related to design conflicts on contract drawings prepared by Port consultant, for Hyde Street Fuel Dock project site. The field conflict became apparent within days of the scheduled substantial completion date for the Project. The Port consultant provided design revisions as required at no cost to the Port of San Francisco to promptly resolve construction conflicts. The following list describes the conflicts encountered in the field:

1. The dimensions shown on structural steel framing plan for Hyde Street Fuel Dock substructure were not reflective of the existing field conditions.
2. The location of a substructure structural steel bracing member was in conflict with an existing sump. The contract drawing did not adequately show a detail to bypass the existing sump; and

WHEREAS, These design conflicts required additional design and construction work, which precluded completion of the contract within the original Contract duration; and

WHEREAS, Port staff have determined that these design conflicts caused unavoidable delays as defined in the contract, which precluded the Contractor from completing the work within the time specified in the contract, and therefore a time extension for Project completion is warranted; now, therefore be it

RESOLVED, that the Port Commission hereby authorizes Port staff to execute a contract modification to Contract No. 2736, Marine Structural Project II, with Cowhey Pacific Drilling, Inc., to extend the original Contract duration of 200 days by an additional 113 days, and the Port Commission further ratifies all actions taken by Port staff in furtherance of such contract modification and time extension.

***I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of February 22, 2011.***

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Secretary






## MEMORANDUM

February 17, 2011

**TO:** MEMBERS, PORT COMMISSION  
Hon. Kimberly Brandon, President  
Hon. Ann Lazarus, Vice President  
Hon. Francis X. Crowley

**FROM:** Monique Moyer  
Executive Director 

**SUBJECT:** Informational presentation regarding the annual update to the Port's 10-Year Capital Plan for Fiscal Years 2012-21

### DIRECTOR'S RECOMMENDATION: Informational Presentation Only

#### Background

As required by the City's Administrative Code 2.30–2.31, Port staff is updating its comprehensive 10-Year Capital Plan ("Plan") (attached hereto) to address the Port's outstanding capital needs. The Plan is due to Mayor Edwin Lee and the Board of Supervisors on March 1, 2011<sup>1</sup> and is expected to be adopted through Board of Supervisors legislation by May 1, 2011.

Port staff presentations to the Port Commission on November 30, 2010 and to the Board of Supervisors on December 10, 2010 regarding the 34<sup>th</sup> America's Cup described the changes to the Port's bonding capacity arising from the proposed long-term development of Piers 30-32, SWL 330 and other potential long-term development sites. Port staff is confident that these impacts can be addressed through collaboration with Mayor Edwin Lee, the Board of Supervisors and the City's Capital Planning Committee.

#### *Overview of Changes to the 2012-21 10-Year Capital Plan*

The visible and impactful change for the Port in 2010 was the award to the City to host the 34<sup>th</sup> America's Cup in 2013. The 34<sup>th</sup> America's Cup Host and Venue Agreement ("HVA") among the City, the America's Cup Event Authority and the San Francisco

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<sup>1</sup> Due to delays associated with the award of the 34<sup>th</sup> America's Cup, the City-wide capital plan will be introduced to the Board of Supervisors on March 1, 2011 without the Port's entry. Once the Port Commission has given final approval of the Port's 10-Year Capital Plan, the introduced plan will be amended to the Port's chapter to the City-wide plan.





America's Cup Organizing Committee<sup>2</sup> calls for use of 8 piers (Piers 30-32, 28, 26, 19, 23, 27 & 29) and the two-acre Seawall Lot 330 for Event-related activities, starting in 2012, subject to the City's successful completion of analysis required pursuant to the California Environmental Quality Act ("CEQA"). As described in the Plan, the HVA requires substantial improvements to Port property by 2013 and will likely alter the Port's long-term debt strategy.

The FY 2012-21 update of the Port's 10-Year Capital Plan identifies a total need of approximately \$2.16 billion, primarily for deferred maintenance and seismic upgrade work required on Port facilities. This is approximately \$60 million greater than the approximately \$2.1 billion identified in the Port's FY 2011-20 update. This increase is largely the result of 1) the 1.5% annual cost escalation used by the City and County of San Francisco, which has been incorporated into this plan, and 2) the inclusion of a new year (FY 2021) in this plan, where most of the FY 2011 costs became a part of the Port's backlog.

A summary of the changes over the last year is as follows:

Changes in Dollars (in thousands)	
FY 2011-2020 Total	\$2,100,640
1.5% Cost Escalation	31,510
Roll in of Estimated FY 2021 Renewal Costs	33,609
Adjustments (completed work, revised estimates) <sup>3</sup>	<u>6,846</u>
Total:	\$2,172,605

### *New Capital Planning Strategy*

Apart from major changes to financing strategy, including new sources of revenues and a new strategy for bringing a cruise terminal to Pier 27, this plan shifts thematically from an emphasis on need and long-term strategies to a more detailed approach to planning, where the Plan will serve as a more practical and functional tool for the Port.

To that end, staff produced the 10-year plan of finance in this document through a new evaluation process that was fully integrated with the Port's two-year capital budgeting effort (in prior years, these two processes were separate). Staff from each Port division – Executive, Engineering, Maritime, Real Estate, Planning and Development, Finance and Administration and Maintenance – participated in a refined process for capital project submittal and evaluation, with a specific emphasis on prioritizing revenue-generating (or revenue-preservation) projects that promote the Port's mission. The criteria used in this process allowed Port staff to objectively prioritize proposed expenditures for both the Port's two year capital budget, which the Port Commission

<sup>2</sup> <http://www.sfport.com/Modules/ShowDocument.aspx?documentid=516>

<sup>3</sup> In prior plans, this number has traditionally been a negative one, indicating that the work completed by the Port coupled with downward adjustments to cost estimates were greater than upward estimates. In this plan, the adjustment to need is net upward as a result of the new inclusion of \$40 million need to address the Port's under pier utility infrastructure.



heard on February 8, 2011 and will consider for adoption on February 22, 2011 and the 10-Year Capital Plan, enabling a single process for capital funding recommendations for the next ten years.

### *Conclusion*

The waterfront has seen a series of transformative events since the Loma Prieta earthquake in 1989: the removal of the Embarcadero Freeway, the Embarcadero Roadway project, the opening of AT&T Ballpark and the world-class Ferry Building rehabilitation project, among others. Port staff is confident that the 34<sup>th</sup> America's Cup will stand with these other achievements as a major inflection point in the transformation of the San Francisco waterfront, and that the 10-Year Capital Plan will continue to stand as a steady guide through this part of the Port's continuing evolution.

Continued success will require new resources and a level of coordination with other City staff not undertaken since the Embarcadero Roadway project. Mayor Edwin Lee has already indicated his commitment to the effort and Port staff is excited to be a member of the team that will deliver the 34<sup>th</sup> America's Cup in 2013.

### *Next Step*

Port staff will seek Port Commission's approval of the proposed 10-Year Capital Plan for FY 2012-21 at its March 8, 2011 meeting.

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Attachment  
10-Year Capital Plan



# **Port of San Francisco**



## **10-Year Capital Plan**

**FY 2012-2021**





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## **I. Executive Summary**

All of the piers currently in use by the Port or Port tenants were originally constructed around 100 years ago. Of those, only nine have been rehabilitated since 1950, including AT&T Ballpark, the Ferry Building, Pier 1, Piers 1½, 3 & 5, Pier 27, Pier 39, Pier 45, Pier 48, and Pier 80. Most of the buildings atop the Port's piers are 40 to 100 years old, making many of them historically significant structures. In recognition of this significance, the National Park Service designated the northeast waterfront, from Pier 45 in the north to Pier 48, as the Embarcadero Historic District on the National Register of Historic Places. This district includes 20 historic piers as well as eight other structures of historic significance. The Pier 70 area also includes 35 buildings and many other features recognized to be of historical significance. The Port is in conversation with the State Office of Historic Preservation regarding the designation of the Pier 70 area as a National Register Historic District.

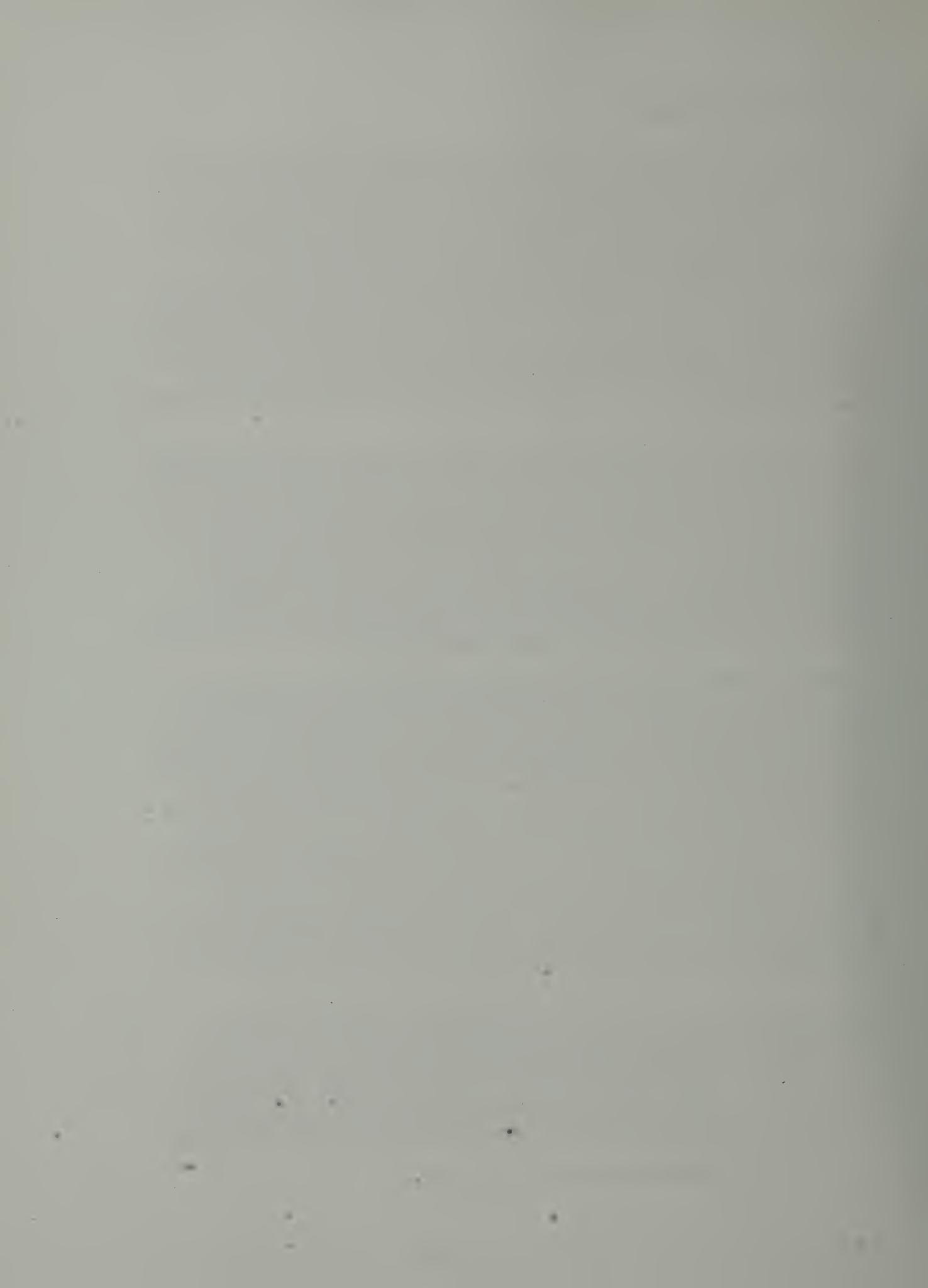
While much activity has taken place over the last year, the visible and impactful change for the Port in 2010 was the award to host the 34<sup>th</sup> America's Cup in 2013. The Host and Venue Agreement ("HVA") among the City, the America's Cup Event Authority ("ACEA") and the San Francisco America's Cup Organizing Committee<sup>1</sup> calls for use of 8 piers (Piers 30-32, 28, 26, 19, 23, 27 & 29) and the two-acre Seawall Lot 330 for Event-related activities, starting in 2012, subject to the City's successful completion of analysis required pursuant to the California Environmental Quality Act ("CEQA"). As described later in this report, the HVA requires substantial improvements to Port property by 2013 and will likely alter the Port's long-term debt strategy.

Additionally, relative to prior plans, this Plan shifts thematically from an emphasis on need and long-term strategies to a more detailed approach to planning, where the Plan will serve as a more practical and functional tool for Port Commissioners and Port staff. To that end, staff produced the spending plan in this document through a new evaluation process that was fully integrated with the Port's two-year capital budgeting effort (in prior years, these two processes were separate). Additionally, whereas in prior plans this document used a "needs and sources" schedule to depict the state of the Port's capital portfolio, carrying unfunded need from year to year, this Plan emphasizes its 5-Year Plan of Finance. With regard to the Port's own capital funds, for the first time, the initial two years of this table exactly mirror the Port's two-year capital budget. A third major change that moves this Plan in the direction of a more practical and functional planning document is a revised treatment of seismic projects, where the Port now conforms to the practice of the City and County of San Francisco as more fully described herein.

The FY 2012-21 update of the Port's 10-Year Capital Plan identifies a total need of approximately \$2.16 billion, primarily for deferred maintenance and seismic upgrade work required on Port facilities. This is approximately \$60 million greater than the approximately \$2.1 billion identified in the Port's FY 2011-20 update. This increase is largely the result of 1) the 1.5% annual cost escalation used by the City and County of San Francisco (CCSF), which has been incorporated into this Plan, and 2) the inclusion of

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<sup>1</sup> <http://www.sfport.com/Modules/ShowDocument.aspx?documentid=516>



a new year (FY 2021) in this Plan, where most of the FY 2011 unfunded costs became a part of the Port's backlog. The remaining difference is a result of the removal of completed projects and the many small adjustments to cost estimates over the past year, many of which are offsetting. There were two large adjustments this year, the largest of which is the inclusion of a new \$40 million cost associated with the Port's planned new under-pier utility infrastructure work in response to potable water leaks into San Francisco Bay. The other substantial adjustment is a reduction to the estimate for environmental cleanup work needed at Pier 70 by \$22.5 million, from \$38.5 million down to \$15 million. This correction stemmed from completion of Pier 70 environmental investigation work last year; the \$15 million number now carried in the Capital Plan database mirrors the January 2010 revision to the Port's Pier 70 Financial Plan.

A summary of the changes over the last year is as follows:

Changes in Dollars (in thousands)

FY 2011-2020 Total	\$2,100,640
1.5% Cost Escalation	31,510
Roll in of Estimated FY 2021 Renewal Costs	33,609
Adjustments (completed work, revised estimates)	<u>6,846</u>
Total:	\$2,172,605

Broken down by Port region, capital need increased across the Port as follows:

**Change in Capital Need, by Region (*in thousands*)**

<u>Port Region</u>	<u>FY11-20 Total</u>	<u>FY12-21 Total</u>	<u>Difference</u>	<u>Increase</u>
China Basin	\$140,544	\$142,999	\$2,455	1.75%
Ferry Building	93,867	95,979	2,112	2.25%
Fishermans Wharf	113,514	115,881	\$2,367	2.09%
Northeast Waterfront	399,711	406,267	6,556	1.64%
Portwide	353,878	417,181	\$63,303	17.89%
Southbeach	321,647	329,547	7,900	2.46%
Southern Waterfront	<u>677,479</u>	<u>664,751</u>	<u>(\$12,728)</u>	<u>-1.88%</u>
	\$2,100,640	\$2,172,605	71,965	3.43%

Of the \$2.17 billion in total need, the Plan of Finance included in this Plan identifies \$744 million in funding over the next ten years. Sources for this financing include:

- Port tenant obligations;
- Port's annual operating budget;
- revenue bonds;
- development projects;
- Infrastructure Financing District (IFD) bonds;
- General Obligation bonds and other City debt instruments; and
- multiple federal agencies including United States Army Corps of Engineers and Department of Defense.





The largest element of the Port's Plan is the rehabilitation and redevelopment of the heavily blighted Pier 70 area, with an estimated need of approximately \$650 million for that area. These costs include upgrading salvageable buildings, demolition of unsalvageable ones, environmental remediation, improvements to street and utility infrastructure, and construction of open space park areas near the water's edge.

The Port has developed policy options to address the unfunded portion of its Plan including use of grant funds, tax increment financing and potential private development options. In November 2008, San Francisco's voters approved Proposition D which provides an option for the Board of Supervisors to capture 75% of the payroll and hotel tax increment generated by future Pier 70 development to help fund Pier 70's immense public infrastructure and improvements. In 2010, the California Legislature adopted AB 1199 (Assemblymember Ammiano), permitting the Port to establish a Pier 70 IFD that may issue debt repayable with both the local share of possessory interest tax (already permitted under current law) and the state's share of possessory interest tax (permitted by AB 1199).

The FY 2012-21 Capital Plan reflects the continued uncertainty of the current real estate market. Specifically, while Port staff assumes that revenues and tax increment arising from development of SWL 337 will likely be realized before 2021, the Plan no longer assigns the projected \$65 million in tax increment debt proceeds arising from this development to specific uses, as it did two years ago. Furthermore, the projected revenue bond revenues arising from the proposed development, also projected at \$65 million, are assigned to projects likely to occur later than 2015.

As the Port focuses on delivery of facilities for the 34<sup>th</sup> America's Cup, the Under Pier Utility Infrastructure Program, as well as revenue bond and general bond funded projects over the next five years of the Plan, it is clear that the Port must leverage currently available sources of land-based finance (revenue bonds, infrastructure financing districts, community facility districts) with other sources of public and private funding to gap-finance its projects. This strategy will strengthen the Port's balance sheet in preparation for major projects at SWL 337 and Pier 70 that will require the Port to take on substantial new debt envisioned by the Capital Plan. Toward that end, the Port staff is aggressively pursuing federal funding, including \$30 million in federal transportation funding and over \$20 million in U.S. Army Corps of Engineers funding authorized by Congress in the Water Resources Development Act of 2007 but not yet appropriated to specific projects.



## II. Summary of Changes

The FY 2012-21 update of the Port's 10-Year Capital Plan identifies a total need of approximately \$2.16 billion, primarily for deferred maintenance and seismic upgrade work required on Port facilities. This is approximately \$60 million greater than the approximately \$2.1 billion identified in the Port's FY 2011-20 update. This increase is largely the result of 1) the 1.5% annual cost escalation used by the City and County of San Francisco (CCSF), which has been incorporated into this Plan, and 2) the inclusion of a new year (FY 2021) in this Plan, where most of the FY 2011 costs became a part of the Port's backlog. The balance results from the removal of completed projects and the many small adjustments to cost estimates over the past year, many of which are offsetting. There were two large adjustments this year, the largest of which is the inclusion of a new \$40 million cost associated with the Port's planned new under-pier utility infrastructure work in response to potable water leaks into San Francisco Bay. The other substantial adjustment is a reduction to the estimate for environmental cleanup work needed at Pier 70 by \$22.5 million, from \$38.5 million down to \$15 million. This correction stemmed from completion of Pier 70 environmental investigation work last year; the \$15 million number now carried in the Capital Plan database mirrors the January 2010 revision to the Port's Pier 70 Financial Plan.

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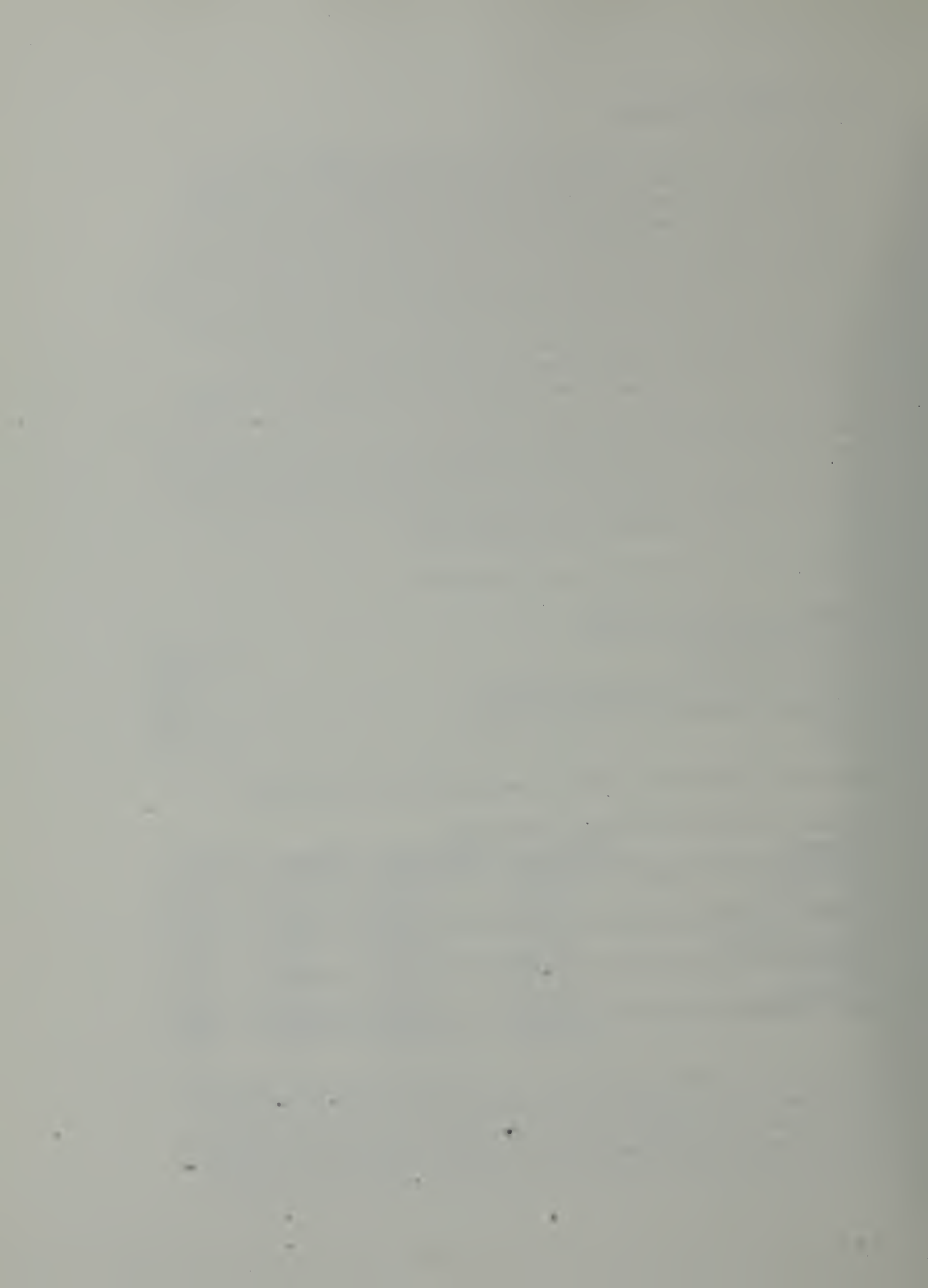
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	\$2,100,640	\$2,172,605	71,965	3.43%

For purposes of this Plan, the Port treats piers and wharves collectively as infrastructure. The treatment of these structures then, as a group, is similar to how a city would treat a system of utility mains. Instead of maintaining each piece of the system individually, an amount of funding is programmed each year to repair or replace elements that become damaged by external events, as well as elements that become the weakest part of the





overall system. This is in part because infrastructure elements, unlike building subsystems (electrical systems, HVAC systems) are not mechanical in nature, and thus have a much longer lifespan. In addition, because of these long life spans, differential wear-and-tear of the Port's substructure elements is difficult to predict.

As the Port was not able to commit any capital funds to pier and wharf substructure renewal over the past year, the schedule this year reflects movement of \$23.4 million into the FY 2011 backlog. Until such time as the Port is in a position to commit funding to this line item, that backlog will continue to grow in successive years. This movement of the FY 2011 foregone capital expenditure into backlog, as well as the addition of a new \$40 million cost for the under pier utility infrastructure program, is why the "Portwide" cost center listed on the table above reflects an increase of nearly 18 percent.

Likewise, the reduced need in the Southern Waterfront is a result of the Port's refinement of its estimates for the cost of clean up of hazardous materials at Pier 70. Without this \$22.5 million reduction, the increase in need in the Southern Waterfront would be on par with other Port regions.

### The 34<sup>th</sup> America's Cup

The HVA is subject to completion of environmental review of the Event under CEQA, including a full range of appropriate alternatives and mitigation measures for the Event in its entirety under CEQA. Since the Event Authority's designation of the City as host for the Event on December 31, 2010, City and Port staff members have been meeting with Event Authority representatives to initiate the CEQA review process.<sup>2</sup>

To prepare for the 34<sup>th</sup> America's Cup, the Port would accelerate the design and site preparation for the Pier 27 Cruise Terminal project. The Event would be the first user of the core and shell of a new cruise terminal building as part of its concept for an America's Cup Village at Piers 27-29. During race events, Pier 27 could not be used to receive cruise ship calls.

The Authority would be required to demolish the Pier 27 shed and temporarily move shoreside power installations at Pier 27, reducing the Port's overall project budget for the cruise terminal. The Authority would also demolish portions of the Pier 29 shed

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<sup>2</sup> The HVA may be subject to further changes in the course of public review of the Event during the extensive approval processes that will follow CEQA review and in response to other City, Port, and public concerns that may arise, and is limited to the uses currently proposed by the Event Authority, and does not cover all potential uses for event venues, which the Port may consider in the course of the approval processes. The HVA may be amended to reflect any subsequent proposal to change the uses, the mix of uses, the intensity of development, or other fundamental terms, subject to Port Commission review and additional CEQA review, if the changes have not already been analyzed. The HVA is not intended to be, and will not become, contractually binding until CEQA review is complete. While the MOU implements certain obligations of the City and the Port in planning for the Event, should it be approved, approval of the MOU does not approve or finalize all of the material terms and conditions of the project.





consistent with Secretary of the Interior's Standards for the Treatment of Historic Properties.

The Authority would be required to invest approximately \$47 million in Piers 30-32 and \$7.5 million for the Pier 27 and Pier 29 work described above, or make total infrastructure investments at other Port sites totaling \$55 before the Match in 2013. In order to recover these investments the Authority would receive long term development rights at Piers 30-32 and SWL 330.

The Port would provide Venue Leases at 8 piers and SWL 330 at no cost to the Authority. An MOU between the Controller and the Port would provide that the City would make payments to the Port in lieu of lost rent.

The focus on the 34<sup>th</sup> America's Cup means that the Port will have to expedite a few primary capital projects called for in the HVA (the cruise terminal, the Brannan Street Wharf, and Pier 36 removal). Other projects, such as the Backlands and Piers 19-23 project, will likely experience delays in project delivery due to staffing and related resource issues, but the Port remains committed to pursuing a strategy of capital investment that enhances the Port's balance sheet.

#### Port Revenue Bond Capacity

In February 2010, the Port issued \$36.7 million in Revenue Bonds in two series - a non-AMT tax-exempt series (Series 2010A) and a taxable series (Series 2010B). The capital projects receiving funding from these bond proceeds include the Pier 27 cruise terminal project, Pier 90-96 backlands, design work for Piers 19-23, Piers 33 and 35, Pier 19 roof replacements, and the Pier 50 valley. When the bonds were sold, the Port prepared five year projections of its net revenues and debt service, which included the assumption that the Port would be issuing approximately \$59.5 million in additional debt within that five year period (2010-2015). These projections were based on (1) \$10 million in net annual revenues, (2) an assumption that all future debt would be tax-exempt and (3) the addition of new revenue sources. However, the Port's project needs require funding by taxable debt which is more expensive thereby reducing future capacity accordingly. The 2010 assumption also included projected new revenues from completion of Piers 90-96, Pier 27 cruise terminal, Piers 19-23, and Pier 33 based on completion dates that are not now possible given the changes in the Port's priorities.

Based on lower actual net revenues in 2010, consideration of taxable debt, and revised project completion schedules, the Port can issue approximately \$40 million of debt over the next five years. In 2010, three credit ratings agencies indicated that their ratings (Moody's: "A1", S&P: "A" and Fitch: "A") were based on the expectation that the Port would maintain a debt service coverage ratio of 2.0 times. The planned uses for the \$40 million of new debt include the Pier 27 cruise terminal project, Piers 19-23, Wharf J9 and Pier 48. These projects benefit the local economy and generate income for the Port to invest in ongoing capital projects to partially address the over \$1.0 billion of identified



need for renewal and repair of existing facilities and deferred maintenance. The proposed MOU would maintain the Port's bonding capacity from FY 2011/12 through FY 2013/14 for these important projects.

Planned debt issuance includes \$15 million in FY 2011-12 for the Pier 27 Cruise Terminal Project and \$25 million in FY 2013-14 for Piers 19-23, 48, and Wharf J9.

The legacy leases from the HVA will result in ongoing Port lease revenue reductions beginning in FY 2014/15 of between \$1.38 million and \$2.37 million which will reduce debt capacity by \$20 million to \$34.3 million. The strategy to rebuild debt capacity is a combination of reducing operating expenses, particularly for services of other departments, to use this existing debt capacity for revenue generating projects, such as Piers 19-23, and to find new sources of public investment.

### Change to Seismic Cost Estimation

Since the publication of the Port's first capital Plan in 2006, the Port has maintained a policy decision to assume a need for seismic repair that exceeds code-driven requirements. In consideration of the fact that many of the Port's structures are 100 years old, the Port's original Plan adopted a standard that all properties should be maintained to reasonably modern seismic standards, as if they were originally constructed within the last few decades. While this approach represented a clear picture of how the Port would like to maintain all facilities, there were also a few drawbacks.

In recognition of the size of the Port's structural challenges and very scarce resources for capital, as a matter of policy, this Plan now will only program funding for seismic work where a change of use or major rehabilitation is taking place, which is a change from prior iterations of this Plan. The Port still endorses the idea that, where possible, very old facilities should be brought up to modern seismic standards, whether compelled by code or not. While this departs from capital planning convention and the practice of CCSF planning efforts, the age and structure of the Port's facilities are unique, and, in the opinion of staff, merit this consideration.

In short, the Port will continue to abide by a conservative policy for assessing need, but will now conform to City practice when confronting spending trade-offs, and will only program funds for seismic needs as defined by capital planning convention, i.e., required by code.

Over the next 10 years, that need totals just over \$500 million<sup>3</sup>.

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<sup>3</sup> This number excludes Pier 70, where the costs for seismic work are rolled into "full rehabilitation" estimates, where seismic-only costs cannot be separated out.



## New Allocation Strategy for Port Capital Funds

One of the biggest changes from prior plans has been the reshaping of the Port's process for allocating Port-generated capital funds. Whereas in prior years the processes for establishing the capital budget and planning expenditures for the 10-Year Capital Plan were distinct, this Plan considered them together through a single process for the first time.

Similar to the Port's first 10-Year Capital Plan published in 2006, the process began with a series of meetings with designated representatives from each of the Port's seven Divisions – the Capital Projects Working Group ("CP Group") – to come up with new evaluation criteria for capital projects. Through these meetings Port staff came to consensus on the appropriate weight of each criterion, such that the CP Group could allocate a total score to each project following review.

These first set of "evaluation" criteria address public safety and the Port's mission, as set out in the Burton Act and Transfer Agreement of 1969. These were scored in increments of five points, up to the maximum specific to each criterion, as follows:

<u>Review Criterion</u>	<u>Maximum Score</u>
Does the project address a code or regulatory issue?	20
Does the project significantly reduce liability to the Port?	15
Does the project promote commerce, navigation or fisheries?	10
Does the project attract people to the waterfront?	10
Does the project protect natural or cultural resources?	10

The review process also made use of two complimentary ways of scoring capital projects that would bring in additional revenue and/or reduce operating costs, the first intended to capture the efficiency of the investment, the second, the scale of the financial impact:

What is the pay back period, if 10 years or less?	10
What is the total 10-year financial benefit to the Port?	20

Where a project would pay for itself in 10 years, that project was scored by subtracting the payback period, in years, from 11. For example, a project with a pay back period of three years would score 8 points in this category.

To determine the score assigned for the 10-year financial benefit, the CP Group took the real benefits, as recorded in dollars, and then considered the distribution of all the values returned for projects at the end of the review process. The results were a rather even distribution, which made appropriate a simple method of scaling, where a project received 1 point for every \$500,000 worth of benefit within the 10-year Plan. For example, a \$4 million project that would generate \$1 million per year in new revenues would score 12 points in this category  $[(\$10 \text{ million} - \$4 \text{ million}) / \$500,000]$ .





Port staff chose 10 years as a cutoff for consideration of projects that would offset their costs with increased revenues largely because the scope of this Plan is one of 10 years. Independently, however, the CP Group considered any notion of a pay back period beyond 10 years to be too speculative to consider among the merits of any given project.

Finally, Port staff reviewed all projects to determine if they fell into one or more of the four major categories listed below. The CP Group determined that a project belonging to one of these groups was worthy of separate consideration either before or after other projects, depending on the category.

#### Prioritization Category

- Is the project required to address an emergency, defined as an immediate threat to human health or the environment?
- Is the project legally mandated by a regulatory order or legal judgment?
- Is the project substantially matched by outside funding sources?

#### De-prioritization Category

- Is the project non-revenue generating and does it have less than 25% in outside matching funds?

To program the Port's capital funds over the first five years of this Plan, the CP Group proceeded methodically through projects, ranked in order of highest scoring to lowest scoring, category by category, in this order: 1) emergency projects, 2) legally mandated projects, 3) substantially leveraged projects, 4) all other projects not placed in one of the categories above, and 5) non-revenue generating, unleveraged projects.

The CP Group presented the results of this process to the Port Executive Director, who concurred with the results, to be forwarded to the Port Commission.

Also a result of this new process, this Plan uses a reorganized Funding and Expenditure Plan. In prior iterations of this document, the Port carried overall need from year to year, showing a large continuing balance. While this gives an accurate picture of the constant and persistent nature of the Port's capital need, it prevented the simple balancing of funding and spending that is typical for more programmed planning documents. This new process ties funding to spending, and matches with the Port's 2-year budget for capital funds, produced in the Port's Finance and Administration Division.



**Port Facilities and Infrastructure**

Spending Plan	2012	2013	2014	2015	2016	2017-21	Total
Emergency Facility Repair	5,016,900	100,000	100,000	100,000	100,000	500,000	5,916,900
ADA	200,000	175,000	100,000	230,000	920,000	500,000	2,125,000
Emerging Needs		100,000	200,000				300,000
Dredging	7,285,500	3,295,340	3,376,000	4,500,000	3,766,000	21,125,000	43,357,840
Repair / Reinvestment	106,697,500	9,878,660	32,774,000	7,720,000	8,764,000	329,825,000	494,860,160
Enhancements	96,000,000	11,580,975	7,000,000			36,500,000	151,080,975
America's Cup - ACEA Projects		55,000,000					55,000,000
America's Cup - City Projects		20,000,000					20,000,000
Subtotal:	217,209,900	100,130,975	43,550,000	12,550,000	11,550,000	387,450,000	772,440,875

Deferred Need:  
1,551,245,100

Funding Sources	2012	2013	2014	2015	2016	2017-21	Total
Port Capital Budget	12,500,900	8,550,000	8,550,000	8,550,000	8,550,000	42,750,000	80,459,900
US Department of Defense	3,000,000						3,000,000
US Army Corps of Engineers	7,800,000					20,200,000	28,000,000
FEMA	9,400,000						9,400,000
BAE Systems	500,000						500,000
2008 GO Park Bonds		11,580,975	7,000,000				18,580,975
SFPUC Assisted Financing	5,000,000	5,000,000	3,000,000	3,000,000	3,000,000	15,000,000	34,000,000
Exploratorium Development Project	124,000,000			1,000,000			125,000,000
Port Revenue Bonds	15,000,000		25,000,000				40,000,000
Port Tenant Improvements						73,000,000	73,000,000
IFD Bonds						231,500,000	231,500,000
America's Cup Event Authority		55,000,000					55,000,000
Total Funding:	217,209,900	80,130,975	43,550,000	12,550,000	11,550,000	387,450,000	752,440,875
Balance:		(20,000,000)					(20,000,000)

Additional Funding Sources Sought	2012	2013	2014	2015	2016	2017-21	Total
US Army Corps of Engineers		5,000,000		5,000,000		10,200,000	20,200,000
US Department of Defense			3,000,000		3,000,000		6,000,000
US Department of Transportation			3,000,000	12,000,000			15,000,000
2014 GO Park Bonds				3,850,000	20,350,000		24,200,000
GO Historic Preservation Bond						72,000,000	72,000,000
City-wide Assessment District						20,000,000	20,000,000
USACE - WRDA 2014						40,000,000	40,000,000
Total Additional Funding Sought:		5,000,000	6,000,000	20,850,000	23,350,000	168,000,000	221,200,000





Just over \$1 billion, or roughly half the overall need identified in the Port's 10-Year Capital Plan, addresses renewal and repair of existing facilities or deferred maintenance. Of the \$772 million that the Port proposes to fund in the 10-Year Capital Plan, approximately \$621 million is allocated to renewal and (accompanied by seismic upgrades, where triggered by other work) with the remaining \$151 million allocated to capital enhancements projects.

The Portwide Annual Programs that are funded on a continuing basis in the Port's annual capital budgets include (1) emergency facility repair, a set-aside of funds for unforeseen situations, available for the most pressing capital needs in subsequent years if the programmed year remains emergency-free, (2) completing renovations in keeping with the Americans with Disabilities Act, and (3) dredging of the bay floor along the waterfront, which maintains the depth of the berths at the Port's piers so that they remain suitable for water traffic.

Other spending plan items include (4) emerging needs, where planning and design of projects are funded in order to position them for non-Port sources of construction funds, (5) capital enhancements, where new assets are being constructed or where development of a facility includes rehabilitation far beyond return to current use, and (6) America's Cup Event Authority ("ACEA") projects, as discussed in detail below.

Because of the sheer magnitude of the Port's remaining Annual Program, the Pier/Wharf Substructure Reinvestment program, for the moment, receives little, if any, funding. The Port should reinvest back into the Port's pier substructures 0.75% of the value of those substructures, each year<sup>4</sup>. Unfortunately, because of the cost to do so, the Port has been unable to make the necessary investments to maintain the Port's substructures in good repair.

For discussion pertaining to the estimated \$20 million shortfall in FY 2013, please see discussion of the Pier 27 Cruise Terminal project on page 18.

For a detailed breakdown of costs in the schedule above, see Appendix A to this report. A further breakdown of projects within each building is available upon request.

It is important to note that, as with prior reports and in keeping with capital planning convention, the backlog costs have been estimated in 2012 dollars, and are not escalated to the anticipated project date.

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<sup>4</sup> The level of need is calculated based on the cyclical replacement of portions of pier substructures, based on construction type and exposure to tidal action. For example, Port engineers estimate that the Port should rehabilitate 15% of the Port's pre-1920's era concrete piers every 20 years.





#### IV. Plan of Finance

Port staff proposes -- and the Port Commission will eventually make decisions regarding -- a financing plan that will fund \$772 million over the ten years of this Plan. These financing tools consist of \$55 million from the ACEA, \$40 million in Port Revenue Bonds, \$231.5 million in Infrastructure Finance District (IFD) Bonds, \$18.6 million in 2008 General Obligation Bonds, \$34 million financed with the assistance of the Public Utilities Commission, over \$40 million from a variety of federal funding sources, funds from the Port's operating budget, and private funds from Port tenant obligations and proposed development partners.

The proposed \$772 million in funding over the next ten years is \$122 million more than the \$650 million proposed in last year's 10-year Capital Plan. This difference is primarily due to new sources of funding from the America's Cup Event Authority and through the Port's SFPUC-assisted public financing needed to address under pier utility infrastructure needs.

#### 34<sup>th</sup> America's Cup

While much activity has taken place over the last year, the visible and impactful change for the Port in 2010 was the selection of San Francisco to host the 34<sup>th</sup> America's Cup in 2013. The HVA among the City, the ACEA and the San Francisco America's Cup Organizing Committee calls for use of eight piers (Piers 30-32, 28, 26, 19, 23, 27 & 29) and the approximately two-acre Seawall Lot 330 for Event-related activities, starting in 2012, subject to the City's successful completion of analysis required pursuant to the California Environmental Quality Act ("CEQA"). As described later in this report, the HVA requires substantial improvements to Port property by 2013 and will likely alter the Port's long-term debt strategy.

The HVA requires both the City and the ACEA to make improvements to Port property in anticipation of the 34<sup>th</sup> America's Cup in 2013. The ACEA is required to make \$55 million in expenditures to improve Port property prior to the Match in 2013. On February 9, 2011, the San Francisco Planning Department published the Notice of Preparation ("NOP") of an Environmental Impact Report ("EIR") for the 34<sup>th</sup> America's Cup venue sites.

The NOP includes the following project descriptions for uses of Port facilities for the Event (with upgrades necessary for these improvements included in the NOP):

*Piers 27-29, and Pier 29 1/2: America's Cup Village, which may draw approximately 25,000-50,000 visitors per day, including up to 600 workers. Access to Pier 27-29, both vehicular and pedestrian, would be controlled. Temporary uses and related improvements for AC Village would include: Food and beverage, and hospitality in the Pier 27 terminal building; Outdoor amphitheater and event seating; VIP hospitality area; Boat display area; AC34 interactive displays; Children's area; Sponsor display*



*areas; Food and beverage vendors; Retail, exhibition and merchandising area; and Pier 29½ – Event staging/back of house.*

*Piers 30-32: Improvements to provide up to 10 team bases, for boat working and maintenance, deliveries, storage and ancillary team parking, and controlled public access. Temporary uses and related improvements proposed to support AC34 events at Pier 30-32 would include: Temporary structures including areas for boat lift, boat maintenance, boat storage, offices, and support spaces; Boat lifts for lifting racing yachts in and out of the water; Team hospitality; 850 linear feet of temporary floating boat slips on both the south and north face of Piers 30-32 with retaining pilings and gangways from pier deck. The floating docks would be anchored using piles, gravity anchors or screw anchors; Controlled public access to active boat launch and work areas on the pier to protect public safety.*

*Piers 26 and 28: Uses would include storage, parking, and regatta and team operations. Either Pier 26 or Pier 28 could be dedicated exclusively to parking use for workers of team support staff working at Piers 30-32, and signage and traffic management improvements necessary to minimize vehicle/pedestrian conflicts along Herb Caen Way.*

Other important areas included in the NOP are: Pier 80, for ancillary use as team support; the Pier 32-36 open water basin, for temporary racing yacht mooring; Brannan Street Wharf, for race viewing; SWL 330, for temporary use for parking, and; Piers 19, 19 ½, and 23, for event media, logistical support, and storage uses.

Subject to completing CEQA review and certifying a final EIR, the HVA requires the Port and the ACEA to make the following improvements to Port property:

Section 6.1: If the Agreements between the City and the ACEA contemplated by the HVA are entered into by the City and the ACEA, the Port will:

- Work with the U.S. Army Corps of Engineers to demolish and remove Pier 36 by no later than January 1, 2013;
- Complete the Brannan Street Wharf by no later than June 30, 2013;
- Relocate and/or store the shoreside power installation for Pier 27 with funds (up to \$2 million) provided by the ACEA; and
- Provide Pier 27 for team hospitality berths without compromising the Port's cruise terminal operating requirements by January 1, 2012.

Section 6.2: Under the applicable Venue Lease, the ACEA will perform:

- All pile replacements, substructure strengthening and deck repairs on Piers 30-32 necessary for the Event;



- Consistent with Secretary of the Interior's Standards for the Treatment of Historic Properties, demolition of any portions of Pier 29 and Pier 27 for the Event (including the removal of the existing shed on Pier 27) for the Port's Pier 27 cruise terminal project as agreed by the Port and the Authority;
- Upon 60 days' notice from the City, payment to the City in an amount equal to the lesser of the actual cost of relocating and/or storing the shoreside power installation for Pier 27 or \$2 million; and
- At the ACEA's discretion: (i) pile replacements, substructure strengthening, deck repairs, or superstructure strengthening or other improvements to prepare the waterfront for the Event on any Short-Term Venue or other Port property, subject to Port approval; and (ii) any cash contribution made to the City to complete the Pier 27 cruise terminal or the adjacent Northeast Wharf Plaza.

#### Under Pier Utility Infrastructure

This year's Plan provides much greater detail about the Port's utility infrastructure needs than prior iterations. Prompted by a series of potable water leaks into San Francisco Bay and with direction from the San Francisco Bay Regional Water Quality Control Board, Port staff members have initiated an aggressive program of under-pier inspections. The Port is coordinating this effort with the assistance of its sister agencies, the Department of Public Works ("DPW") and the San Francisco Public Utilities Commission ("SFPUC"). The purpose of the ongoing inspection program is to ascertain the general condition of the sewer and water infrastructure under the Port's piers, and to generate cost estimates for repairs, upgrades and replacements.

Preliminary results of this inspection program, as of February 10, 2011, indicate a total need of approximately \$40 million. While the inspection phase of the program is complete, the analysis of field data, which will ultimately generate final cost estimates, is only 33 percent complete.

The Port continues to partner with the SFPUC to explore low-cost public financing alternatives to address critical water and wastewater needs at the Port. This includes the Auxiliary Water Supply System, improvements for which are to be funded through the recent voter-approved Earthquake Safety & Emergency Response General Obligation Bond program. For other piers, temporary utility rate increases will provide the basis for public financing that will allow immediate investment in troubled facilities. The SFPUC will coordinate with the Port to conduct rate increase sensitivity analyses in order to make determinations about the level of funding this method of financing will support within the first few years of the Port's 10-Year Capital Plan.





Where needed repair work is not eligible for funding via rate increases (or is too expensive to be supported by rate increases), the Port is exploring options with the SFPUC regarding grant or other funding.

Additionally, some structures identified in the Under Pier Utility Inspection Program are anticipated to become the focus of development opportunities in which the developer would assume the obligations to undertake necessary repairs and replacements. Furthermore, some of the Port's tenants are obligated under the terms of their lease agreements to maintain the infrastructure on their leaseholds. Finally, for some piers, the Port has no plans for long-term capital investment. Under these circumstances the Port will make ongoing short-term investments to match the expected life of the facilities.

To be responsive to the increased activity that will result from the 34<sup>th</sup> America's Cup, this Plan assumes an expenditure of \$5 million over each of the first two years, with limited repair activity during the event. The first two years of the work would focus on utility infrastructure investment at those facilities that are expected to experience the most race-related spectator and employee activity. These facilities would require the most immediate, preventative attention in order to mitigate risk posed by increased loading on the utility systems from proposed activities. For example, as a keystone to the 34<sup>th</sup> America's Cup, Pier 27 would experience greatly increased traffic and would be prioritized for repairs in the first year of this Plan.

During the race itself in 2013, work will be restricted to facilities in the Port's southern waterfront so as to not disrupt the event. After the 34<sup>th</sup> America's Cup activity concludes, the Port will regularize its repair schedule, with a leveled expenditure estimated at \$3 million annually, and proceed until all work is complete.<sup>5</sup>

#### Infrastructure Financing District Revenues

In prior iterations of this Plan (issued prior to sharp increases in market volatility in 2008), the Port had identified \$140 million in IFD tax increment bond proceeds from development at Pier 70 and SWL 337. Pier 70 was identified as the likely recipient of 90% of anticipated IFD funding. The specific areas identified at Pier 70 included general infrastructure, environmental remediation, open space development, pier and wharf repairs, and the Union Ironworks Building. The remaining \$20 million was tentatively identified for investment at Islais Creek and in the Blue Greenway.

Looking toward current plans for development of the Port's SWL 337, the developer's proposal anticipates a phased multi-year project with horizontal development costs of approximately \$125 million and vertical development costs of approximately \$1.5 billion. About 25% of this investment, or approximately \$400 million worth, is expected to occur within the 10-year scope of this Plan.

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<sup>5</sup> Should the America's Cup return to San Francisco after the 34<sup>th</sup> Cup, this schedule would be modified to ensure construction activities do not interfere with race events in future years.



While Port staff assumes that revenues and tax increment arising from development of SWL 337 will likely be realized before 2021, the Plan does not assign SWL 337's projected \$65 million in tax increment debt proceeds to specific uses.

While the SWL 351 development will ultimately yield the Port a new \$17.5 million open space, the expected result from development negotiations will allow for tax increment to be based off of the larger \$400 million development project. Based on the term sheet with San Francisco Waterfront Partners approved by the Port Commission, the SWL 351 project will include creation of an Infrastructure Financing District that is expected to generate \$20 million in tax increment debt proceeds available to fund Port Capital needs. As with SWL 337, this Plan reflects continuing uncertainty of the real estate market, and these potential IFD funds are not programmed in the first five years of the Plan.

Pursuant to Port Commission direction, Port staff has started the process of implementing the Pier 70 Master Plan, starting with the issuance of a Request for Qualifications for a developer for the 20 acre Waterfront Site. The passage of AB 1199 (Assemblymember Tom Ammiano) reduces the Pier 70 finance gap estimated in early 2010 of \$46 million by \$13 million. Due to the development timeline for Pier 70, the Plan only assumes that a portion of Pier 70 expenditures will occur by 2021.

#### *Major Revenue Bond Funded Projects, Current and Proposed*

- ***Pier 27 Cruise Terminal Project*** - On September 27, 2007, the Port Commission accepted the Cruise Terminal Advisory Panel's recommendation to relocate the Port's primary cruise terminal from Pier 35 to Pier 27. On December 14, 2010, the Port Commission selected design option B2 for the Pier 27 Cruise Terminal. That option contemplates a total project budget of \$114,100,000. The Port has \$30,100,000 of funding in hand from the Series 2010 Revenue Bonds, the Watermark Sales Proceeds and deferred land sales proceeds and plans additional Port funding of \$16.75 million. The project budget anticipates \$45,792,381 in non-Port sources, including City funding, ACEA shed removal funds, security grant funding, and City General Obligation bond funding to complete the Northeast Wharf Plaza at Pier 27. There is a current project shortfall of \$21.5 million.
- ***Wharf J9 Repairs***: The Port needs to replace the Wharf J-9 seawall that is required to continue the use of the adjoining leased facilities for which the Port proposes to allocate \$5 million in revenue bonds.
- ***Pier 48***: The roof at Pier 48 is deteriorating with weather penetration taking place over certain parts of the shed, which has lead to small amounts of dry rot. Good revenue streams and expected future development of the adjacent SWL 337 make this a valuable asset to the Port. The timely replacement of roofs has a strong preventative benefit, further making Pier 48 a good candidate for investment of revenue bond monies. Renewal of roof elements at Pier 48 are currently





scheduled for FY 2014, though this could change based on how development proceeds at SWL 337.

- **Piers 19 and 23:** These piers are located near one another in the northern waterfront. They require repairs and seismic upgrades and are currently without any long-term leases. The Series 2010 revenue bonds include \$3.5 million to repair the Pier 19 roof to enable continued interim leasing of that facility. The Pier 19 bulkhead is also a potential location to co-locate emergency response facilities which could include a marine fire station, marine police units, and other agency facilities. The Series 2010 revenue bonds also include \$2 million in design funding for further improvements to either Pier 19 or Pier 23.

Port staff envisions a mixed use development project at either Pier 19 or Pier 23, subject to approval by the Port Commission, the Mayor, and the Board of Supervisors. Staff projects that the cost of a mixed use, adaptive reuse project at either Pier 19 or Pier 23 would be \$85 million, based on certified costs to construct Pier 1 and construction cost inflation since Pier 1 opened. This project is dependent on developing a financially-feasible mixed use program consisting of interim non-trust and public trust uses, consistent with a proposed interim leasing policy for Port historic structures pending Port Commission consideration. Other funding for the Pier 19 or Pier 23 project would include funding from lease revenues, IFD revenues, federal historic tax credits, and private equity.

- **Pier 35 Cruise Terminal** – To continue the Port’s cruise business, which currently consists of approximately 45-65 cruise calls per year, the Port of San Francisco requires at least two cruise berths. Pier 35 is currently the Port’s primary cruise terminal and will continue in service after Pier 27 re-opens. In 2009, Port engineers conducted a facility assessment of Pier 35 and found that urgent repairs are needed to the pier superstructure to keep the facility open. Thus, the Port allocated \$5.5 million of the Series 2010 revenue bonds to fund immediate facility repairs. Additional substructure repair and seismic improvements are required to keep the facility operational.
- **Pier 90-94 Backlands:** The Port’s largest unleased area of Port property is the Pier 90-94 Backlands, an area of unengineered fill not suitable for commercial buildings without the inclusion of costly pile supported foundations. The Series 2010 revenue bonds include \$8 million in funding for new road and utilities to support new leasing plots that are planned for the site. DPW staff is currently developing construction documents. Port staff expects the design will be completed by the end of 2011, and the project will be advertised for bids sometime in spring of 2012. Construction is expected to be completed by the end of 2012.





### General Obligation Bond Projects

In February 2008 San Francisco voters approved a \$185 million General Obligation bond for park and open space improvements throughout the City, of which \$33.5 million has been allocated to fund or partially fund Port open space improvements across the Port's waterfront. Port General Obligation Bond projects include: a promenade at Pier 43½ in Fisherman's Wharf; the Brannan Street Wharf Park in Southbeach; Bayfront Park in the Port's China Basin region; and, in the Port's Southern Waterfront, Crane Cove Park, Warm Water Cove Park, Islais Creek, and an entrance to Heron's Head Park. In FY 2010, using \$3.1 million of the first bond issuance the Port initiated planning and design efforts for these projects. On February 9, 2010 the Port Commission authorized the issuance of the second sale for the 2008 GO Bond projects. The second sale was for \$10.7 million for the Pier 43 Bay Trail Link, Blue Greenway and the Bayfront Park shoreline projects. A third issuance for \$11.6 million is planned for in March 2011 for the final phase of the Pier 43 Bay Trail Link and portions of the Brannan Street Wharf and Blue Greenway projects. Port staff members anticipate a fourth and final issuance of \$7 million in FY 2012 that will fund the final phase of the Blue Greenway projects.

Because the liability has not yet been removed from the capital needs side of the ledger, the 10-year Capital Plan includes the full balance of \$33.5 million in cost for these projects.

#### **Total 2008 G.O. Bond Park Funding Allocated to Port Projects**

<b><u>Port Area</u></b>	<b><u>Proposed Park</u></b>	<b><u>Project</u></b>	<b><u>G.O. Bond Funding</u></b>
Fisherman's Wharf	Pier 43½ Park	Pier 43½	\$9,000,000
South Beach	Brannan Street Wharf Park	Brannan St. Wharf	3,000,000
China Basin	Bayfront Park	Blue Greenway Project	21,500,000
Southern Waterfront	Crane Cove Park		
	Warm Water Cove Park		
	Islais Creek		
	Heron's Head Park Entrance		
		<b>Total:</b>	<b>\$33,500,000</b>

As a part of the reporting requirements for this Bond, Port staff post updates on each of these projects every month, which may be found here: <http://parkbonds.sfgov.org/2008/>. Additionally, Port staff members, together with Department of Recreation and Parks staff members, report more comprehensively on a quarterly basis to the City's General Obligation Bond Oversight Committee. These reports are also available on the reporting website noted above.

Three of the Port's General Obligation Bond parks, Pier 43 ½ Park, Bayfront Park, and Brannan Street Wharf, are scheduled to go to construction in the first year of this Plan, FY 2012. Pier 43 ½ and Bayfront Park should be complete prior to the start of FY 2013; Brannan Street Wharf is scheduled for completion in June of 2013.



## Potential Future General Obligation Bonds

*2014 General Obligation Bond for Port Parks:* Port staff is in conversation with the City's Capital Planning Committee ("CPC") and Recreation and Parks staff regarding a potential move of the planning horizon for the next GO Bond for Parks from 2014 to 2012 or 2013. The Port's funding needs for waterfront parks in the next issuance will likely exceed the \$33.5 million incorporated in the 2008 Clean and Safe Neighborhood Parks Bond; Port staff anticipates the need for \$50 million in park projects. Subject to completing review required pursuant to CEQA, Port staff projects a need for \$15 million to complete the Northeast Wharf Plaza after the 34<sup>th</sup> America's Cup Event is concluded and additional funding to complete planned improvements for the Blue-Greenway in the Port's Southern Waterfront.

*Historic Structure Rehabilitation Bonds:* One option that Port staff suggests exploring is a general obligation bond to fund a portion of seismic upgrade and other rehabilitation costs for City-owned historic structures, including those listed on, or eligible for listing on, the National Register of Historic Places. The Port and several other City departments, including the Municipal Transportation Agency and the Department of Recreation and Parks, own such historic resources. Each department faces significant challenges in assembling the public and private resources necessary to save its historic structures. The Port would look to such a bond for funding to save the iconic Union Ironworks Building at Pier 70, as well as to renovate the historic Pier 19 or 23 and Agriculture Building.

## Development Projects

The Port's development projects are public-private partnership projects in which a developer enters into a lease of up to 66 years with the Port for property, secures financing and is responsible for project delivery. The Pier 15-17 development project began construction in November 2010. As previously noted, cost estimates included in this Plan include only repair and replacement costs and seismic upgrades the Port would need to conduct in order to continue operating these facilities for current uses. The description below includes enhancements The Exploratorium is making to facilities to change their use; these changes go beyond the repairs, replacements, and seismic upgrades identified in the Port's 10-Year Capital Plan, and so their costs are not included below:

- *Piers 15-17:* The Port has executed a Lease Disposition and Development Agreement and long-term Lease with The Exploratorium to renovate Piers 15-17 and relocate The Exploratorium museum there from its current location at the Palace of Fine Arts. The Exploratorium will lease Pier 15 and develop it for museum and ancillary uses, with the idea of expanding into Pier 17 in later years. Piers 15 and 17 are located in the Northeast Waterfront on The Embarcadero at





Green Street. The final development budget submitted before commencing construction in November 2010 is \$205 million funded by The Exploratorium.

- **SWL 337:** Following extensive public input and a Request for Qualifications phase, the Port Commission awarded a Request for Proposals for the development of an approximately 16 acre site immediately south of AT&T Park. The selected development team, SWL 337 Associates, LLC, proposes an urban mix of uses which may include office, rental residential and retail plus more than 5 acres of open space. The developer has stated order of magnitude project costs at \$1 billion with total infrastructure costs estimated at approximately \$200 million. The Port and development team have entered into an Exclusive Negotiation Agreement (“ENA”) specifying the obligations of each party. The ENA contemplates commencing public outreach to shape the development program in 2011 and the securing of entitlements in 2012 and 2013.
- **SWL 351:** In 2008, the Port sought development proposals for a two-thirds of an acre site at the Embarcadero and Washington Streets along the Ferry Building Waterfront that is currently used as a surface parking lot. In February 2009, the Port Commission authorized exclusive negotiations with San Francisco Waterfront Partners to combine the site with the adjacent tennis club property for a 3 acre mixed use project with a rebuilt recreation club, condominiums, restaurants, retail and a new public park. The project proposal was refined in part through a public planning process led by the City’s Planning Department – The Northeast Embarcadero Study was completed in July 2010. A Term Sheet outlining the refined project and financial terms was approved by the Port Commission in September 2010 and is awaiting Board of Supervisors approval.
- **Pier 70:** Following an extensive public planning process, the Port published its Master Plan for the Pier 70 area in April 2010. The Master Plan balances ship repair activities, new waterfront parks, rehabilitated historic buildings, and new development opportunities over the 69-acre area. The Master Plan includes policies to guide historic preservation, new development, open space and public access, and transportation and parking. On May 11, 2010, the Port Commission authorized two development offerings to implement the Master Plan. This first offering is for the Waterfront Site, 25 acres at the southeast corner of the Pier 70 area, with capacity for 2.5 million square feet of new development and 260,000 square feet in rehabilitated historic buildings. The Port intends for the Waterfront Site’s rent and tax revenues to contribute to the Port’s investment in parks, infrastructure, and historic buildings for the entire Pier 70 area. The second is a Request for Interest in the 20th Street Historic Buildings – extraordinary buildings that date back as far as the 1880s and are in need of substantial investment.

On January 10, 2011, the Port received six responses to the Waterfront Site RFQ and anticipates selecting a developer and entering into a development agreement by the end of 2011. The Port will work with this developer and developers identified from the Historic Buildings Request for Interest process to fashion





projects that achieve the Pier 70 Master Plan vision. Paramount in realizing the renaissance of Pier 70 will be an innovative public private partnership including land-based financing, tax increment and other techniques to achieve the public benefits of historic preservation, new parks, and economic development opportunities.

### SB 815 New Revenues

In 2007, the State legislature adopted legislation (SB 815) that allows for more varied development on some of the Port's seawall lots, and allows the Port to enter into lease terms of up to 75 years (the prior maximum had been 66 years). The legislation also restricts the use of new revenue growth generated by seawall lot leases to 1) repair and seismic upgrades of historic facilities and 2) construction of open spaces required by the Special Area Plan. Seawall Lot 337 is the first development affected by the new legislation. The additional annual income associated with SWL 337 development will help the Port to leverage up to, roughly, \$65 million in municipal bonds. The projected revenue bond monies of \$65 million arising from the proposed development at Seawall Lot 337 are constrained to uses permitted by SB 815 (Senator Carole Migden). These bond proceeds are assigned to historic rehabilitation projects likely to occur later than 2017, as follows:

- ***Agriculture Building:*** Located in the Ferry Building Area of the Port, the brick building south of the Ferry Building is currently leased through short-term leases for office space and Amtrak's San Francisco ticketing office. The Port is developing a plan to determine possible new uses for the Agriculture Building, as well as costs to renovate the facility to accommodate the new uses. The Port proposes to allocate \$5 million in SWL 337 revenue bonds to help cover repairs and seismic upgrades.
- ***Northeast Waterfront Piers - Piers 9 and 33:*** Located in the Northeast Waterfront area, Piers 9 and 33 currently are leased to numerous different tenants. Port staff members recommend Piers 9 and 33 to be the recipient of some of these revenue bond funds, which will go toward seismic upgrades and long-deferred repairs in order to maintain the existing revenue generation of these piers.
- ***Pier 50:*** Located in the Central Waterfront in China Basin, on Terry Francois Blvd south of AT&T Ballpark, Pier 50 houses the Port's maintenance facility and is home to other major maritime tenants. The estimated capital need over the next 10 years totals \$50 million; the Port proposes to allocate \$20 million in revenue bond funds to seismically upgrade and repair the areas of the pier's substructure in the worse condition.



## Federal Funding

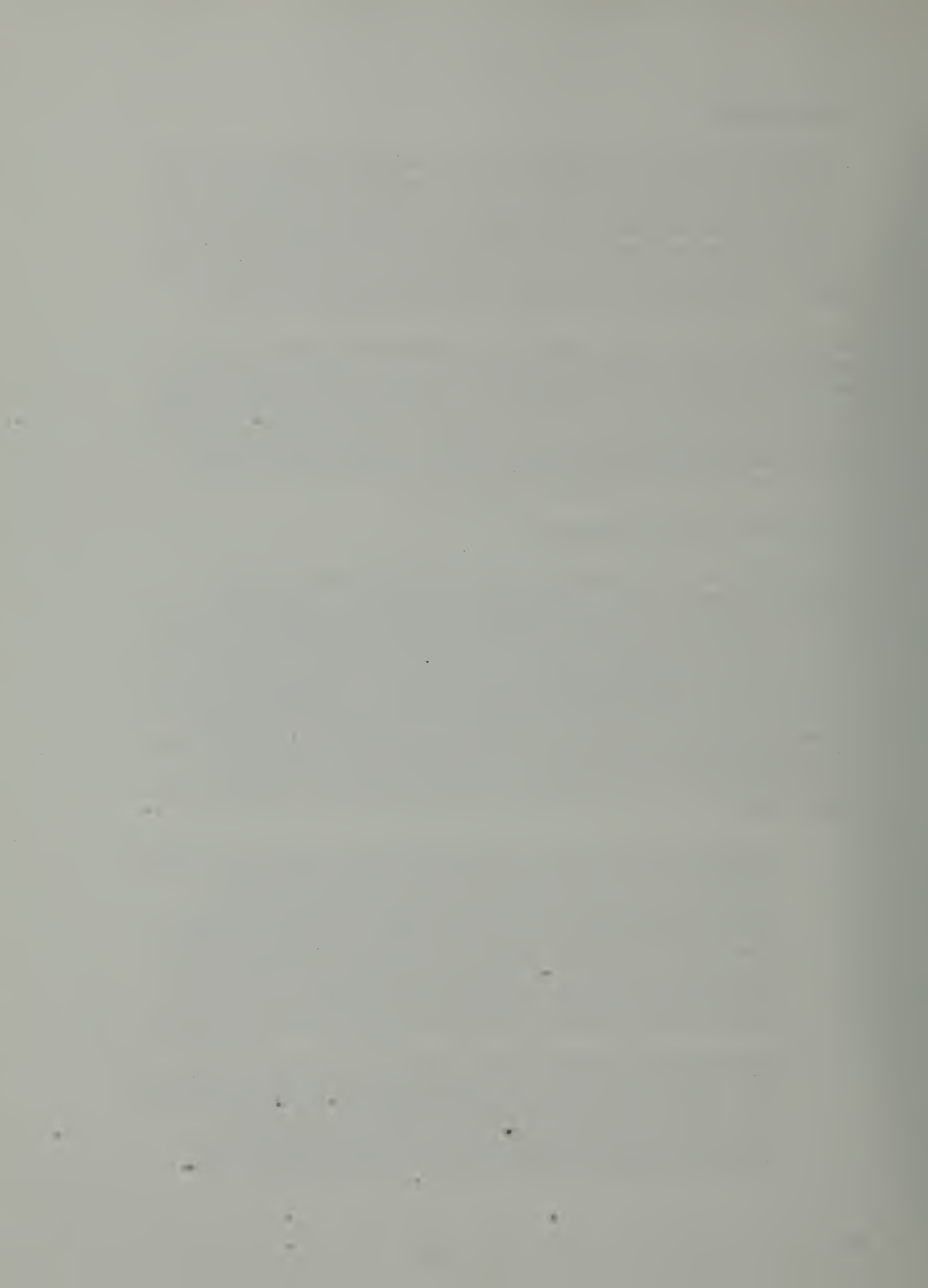
In the first five years of this Plan, the Port will, for the first time, begin drawing down substantial federal funding to complete its projects. While in the past the Port has been fortunate enough to win federal grant funding from time to time, the coming funding is both larger in scale and from sources that appear to be ongoing in nature. Year one of this Plan programs \$10.8 million in federal funding with a very high degree of certainty. Beyond year one, changing rules for congressionally directed spending (“earmarks”) make future appropriations against the Port’s federal funding vehicles less certain.

As of the writing of this Plan, Congress has just begun operating under a two-year moratorium on congressionally directed spending. However, because this moratorium has a differential impact across funding sources—in particular, the budget for the Army Corps is more affected than others—there is a great deal of speculation that the definition of “earmark” may be revised in the coming months. If Congress does undertake any easing of these restrictions, the probability of the Port receiving additional federal funding in the first half of this Plan will greatly increase.

### *United States Army Corps of Engineers*

In 2006, Port staff, working with Mayor Gavin Newsom’s Office, successfully petitioned the office of House of Representatives Speaker Nancy Pelosi to carry a new federal authorization for a number of the Port’s facilities. The legislative vehicle for this authorization is the Water Resources Development Act of 2007 (WRDA 07). Section 5051 of that legislation authorizes the Army Corps, in cooperation with the Port of San Francisco, to seek appropriation of \$25 million for “... repair and removal, as appropriate, of Piers 30-32, 35, 36, 70 (including Wharves 7 and 8), and 80 in San Francisco, California, substantially in accordance with the Port’s redevelopment plan.” All funding from this source requires a 2:1 match from the Port. The Port has traditionally been the only City department with projects eligible for funding from the Army Corps.

- **WRDA 07, Pier 36** – The first appropriation the Port sought under the WRDA 07 authority was for funding to remove Pier 36, in preparation of the construction of the Brannan Street Wharf Project. This appropriation was passed into law in early 2010, and the Port supplied the necessary matching funds to the Army Corps in September 2010 using previously appropriated Port capital funds. The Army Corps anticipates entering into a construction contract for removal of Pier 36 in the fall of 2011, which is why the \$4.8 million in Federal funding for this project is recorded in year one of this Plan.
- **WRDA 07, Piers 35 and 70** – Following requests from Port staff, Speaker Pelosi’s office agreed to carry an appropriation request for repairs to the Port’s Pier 35 cruise terminal, and for removal of wharves 7 and 8 at Pier 70. Through the committee process, the amount listed in proposed law was reduced to \$5 million for repairs to Pier 35 only. The appropriations bill



containing that funding expired, and as things stand today, there is no expectation that the Port will be able to appropriate this or any other funding authorized under WRDA 07 in the next few years.

- ***Continuing Authorities Program Section 107 (CAP107), Central Basin Dredging*** – The Central Basin is the approach to the Pier 70 Shipyard’s primary drydock facility. Dredging of this approach is critical to operations of the shipyard. While the drydock itself is the largest privately operated repair facility of its kind on the west coast of the Americas, the increasingly restrictive siltation in the Central Basin is limiting the number and type of vessels that can access it. In September 2009, the Port requested dredging assistance from the Army Corps under CAP107. Through this program the Army Corps will provide \$3 million in Federal funding, which is 75 percent of the cost of the dredge project. The Port and its shipyard tenant, BAE systems, will split the required \$1 million match. Once the initial dredge of the Central Basin is complete, the Army Corps will assume responsibility for ongoing maintenance dredging of that site with the same cost sharing arrangement.
- ***River and Harbor Act of 1950, Seawall Study*** – The River and Harbor Act is the authorizing vehicle that preceded biennial WRDA authorizations. Like succeeding WRDAs, this law authorizes appropriations for particular projects. In this case a broad authority allows the Port to request funding through the Army Corps budget for \$100,000 to initiate a study of the San Francisco seawall. Once this study is complete, Port staff would be in a position to request authorization for funding to repair or reconstruct the seawall, based on the results of the Army Corps study. Appropriations would then follow for actual construction. Given the current political climate, it is impossible to predict when these various legislative vehicles will move forward; for that reason, repairs to the seawall are very roughly estimated to order of magnitude, and are placed out at the very end of this Plan.
- ***WRDA 2014, Seawall Repair and Derelict Piling Removal*** – Though WRDA legislation is intended to be biennial, as a matter of practice, these new authorizations are passed in to law much less frequency. As the separation between the last two WRDA authorizations was seven years, this Plan assumes the same, and predicts there will be a WRDA 2014. Based on discussions in 2009 of a possible WRDA 2010, Port staff submitted to House of Representatives Speaker Nancy Pelosi and Senators Barbara Boxer and Dianne Feinstein language to amend the Port’s existing WRDA 07 authorization to increase the amount of funding authorized, and to make eligible appropriations for seawall construction or repair and removal of derelict pilings. This amendment language will be resubmitted when there are calls for a new WRDA.





## *United States Department of Defense*

As noted earlier, new rules governing congressionally directed spending may prevent the Port from seeking new DOD funding in the coming years, particularly in years two and three of this Plan. That said, any relaxation of the new restrictions is likely to impact the Department of Defense budget, which is largely project-specific. Port staff members are hopeful that these changes are coming, but this Plan does not program any funding in the first five years of this Plan.

- ***Demolition of Drydock #1*** – Working through House Speaker Nancy Pelosi's Office, Port staff wrote, and Congress passed into law a \$3 million appropriation for remediation and demolition of Drydock #1. The Department of Defense engaged the salvage arm of the United States Navy to administer the funding, who in turn, contracted with Titan Salvage to do the work. Titan will use these funds to prepare, secure and move Drydock #1 to the northern end of Pier 80 (also known as the old Western Pacific yard), and to prepare the site for the breaking of the drydock. The Port will then expend Port capital funds to complete the remediation and dismantling work.
- ***Pier 70 Investigation, Hazardous Materials Abatement*** – In 2010, Port staff requested, and House Speaker Nancy Pelosi agreed to carry, an appropriation request for \$3 million to continue the investigation and abatement project at Pier 70 started in 2009. Conversations between Port and Department of Defense staff left Port staff optimistic that this source of funding would be viable for the multi-year abatement effort. The new appropriation rules have changed that, however. Conservatively assuming no loosening of restrictions on congressionally directed spending in the near term, this year's Plan programs additional spending for this project out to years FY2016-2021.

## *United States Department of Transportation*

Looking toward emerging sources of federal funding, the Port has been included in the City's request for inclusion in the next major transportation reauthorization act. Whether or not the Port's entry ultimately becomes part of the new authorization and is funded, the scale of the potential benefit makes it worth noting. The Port could see funding from this source ranging from \$15-30 million. The candidate projects are:

- ***Cargo Way***: a  $\frac{3}{4}$  of a mile roadway in the southeast section of San Francisco that is a primary access route serving a number of active development and redevelopment projects. The City has developed a plan to rebuild the roadway that would address a number of project goals, including providing direct access to support the Candlestick Hunters Point Shipyard Redevelopment Area, supporting the Port of San Francisco's maritime eco-industrial park, closing a gap and providing safe pedestrian and bicycle facilities along the Bay area's nine-county Bay Trail and the City's Blue Greenway, and improving Bay water quality by reducing a significant amount of waste water being sent to the City's over-



capacity Southeast Water Treatment Facility. In addition, this project is included in the San Francisco Bi-County Transportation projects and the Bayview Transportation Improvements projects.

- ***20<sup>th</sup> Street Extension:*** 20<sup>th</sup> Street within the Historic Pier 70 Area is the primary access route serving one of the City's most important historic districts. The existing 20<sup>th</sup> Street requires upgrading to accommodate modern transportation and infrastructure. This is needed in order to extend and connect the area into the regional transportation system, providing a connection to a planned 20<sup>th</sup> Street Ferry Terminal and closing a gap in the 9 county regional Baytrail system. An improved 20<sup>th</sup> Street will provide the necessary infrastructure to allow for significant new infill development and the adaptive reuse of some the City's most important historic resources.

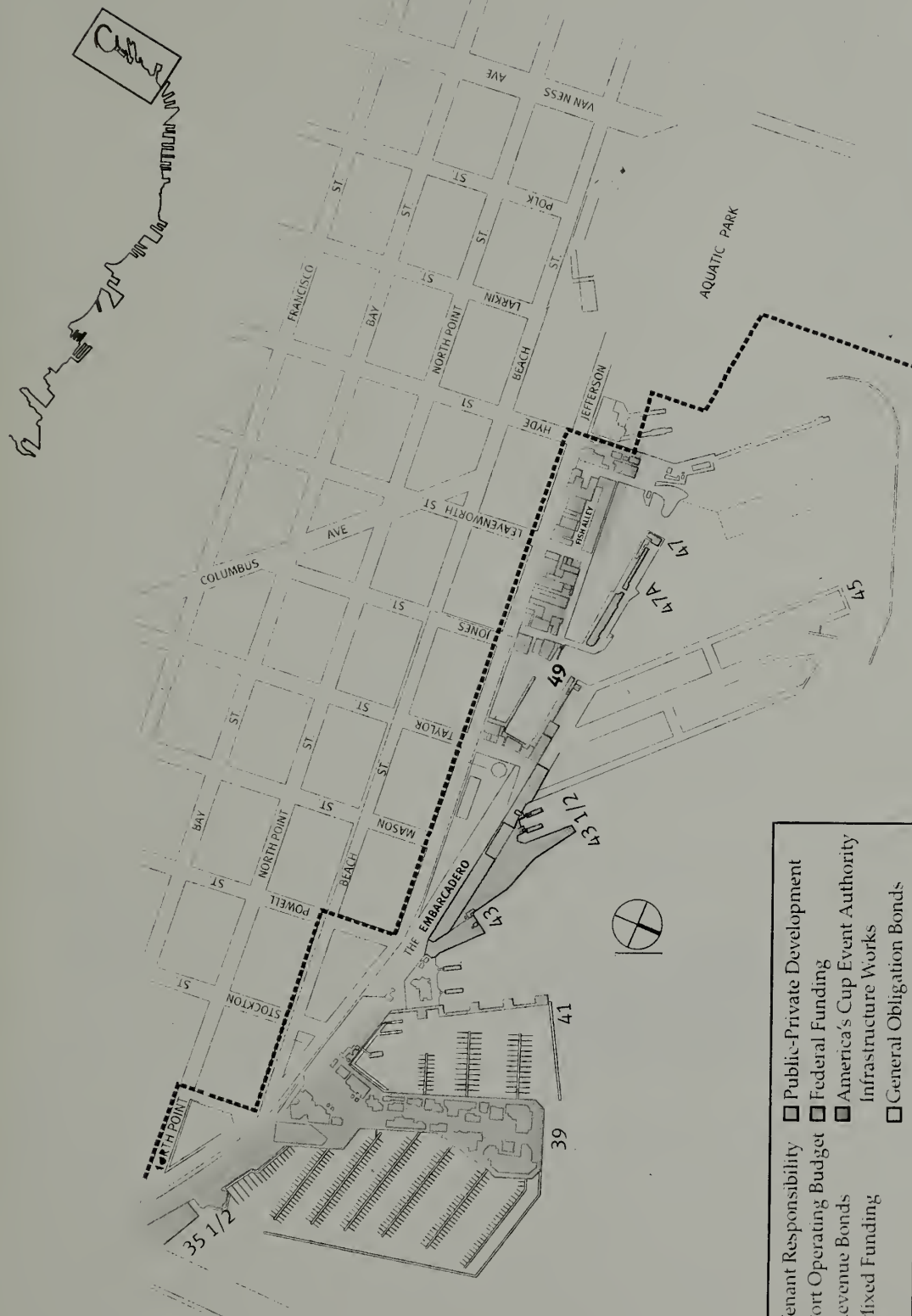
### Federal Grants

Port staff members have been in continuous pursuit of federal grant funding, particularly in the security area, where cyclical, well funded programs offer good opportunities. In January 2011, FEMA made awards for applications submitted during grant years 2007, 2007 Supplemental, 2008, 2009 and 2010. The Port received the largest federal grant award to date, for four separate projects, totaling \$9.4 million. These projects will fund a number of different security improvements over the next three years, with \$7.8 million going to provide comprehensive security improvements to the Pier 27 Cruise Terminal.

Additionally, Port staff are hopeful that a recent application for \$3 million in funding from the Federal Railway Administration – a grant program for which the Port's candidate project is particularly well suited – will result in a substantial award. This funding would improve reliability and efficiency of rail movement through track and switching upgrades to the Port's primary rail spur, the Quint Street Lead.



# Fisherman's Wharf

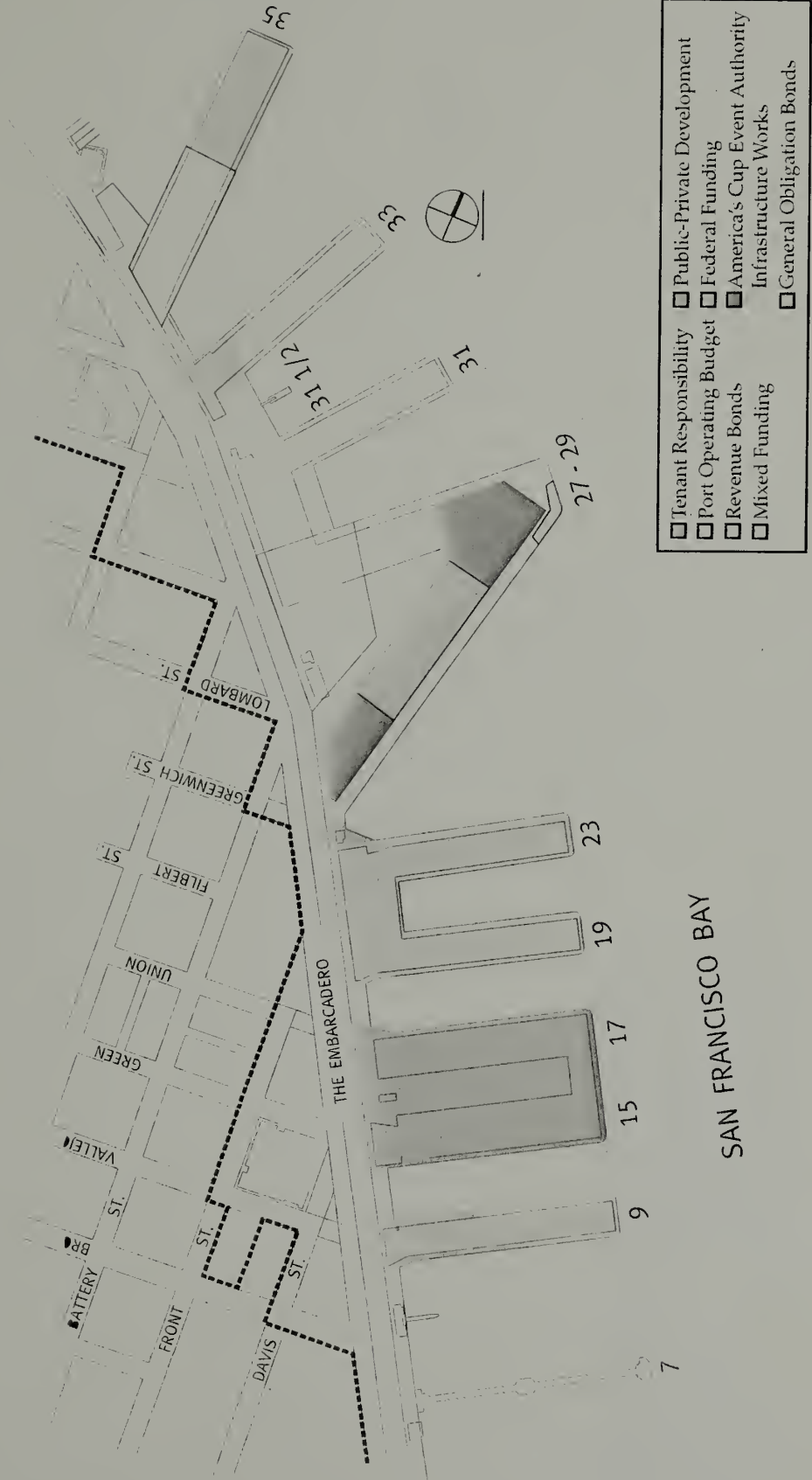
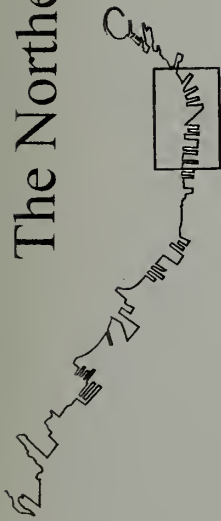


- |  |  |
|--|--|
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| <input type="checkbox"/> Port Operating Budget | <input type="checkbox"/> Federal Funding               |
| <input type="checkbox"/> Revenue Bonds         | <input type="checkbox"/> America's Cup Event Authority |
| <input type="checkbox"/> Mixed Funding         | <input type="checkbox"/> Infrastructure Works          |
|  | <input type="checkbox"/> General Obligation Bonds      |



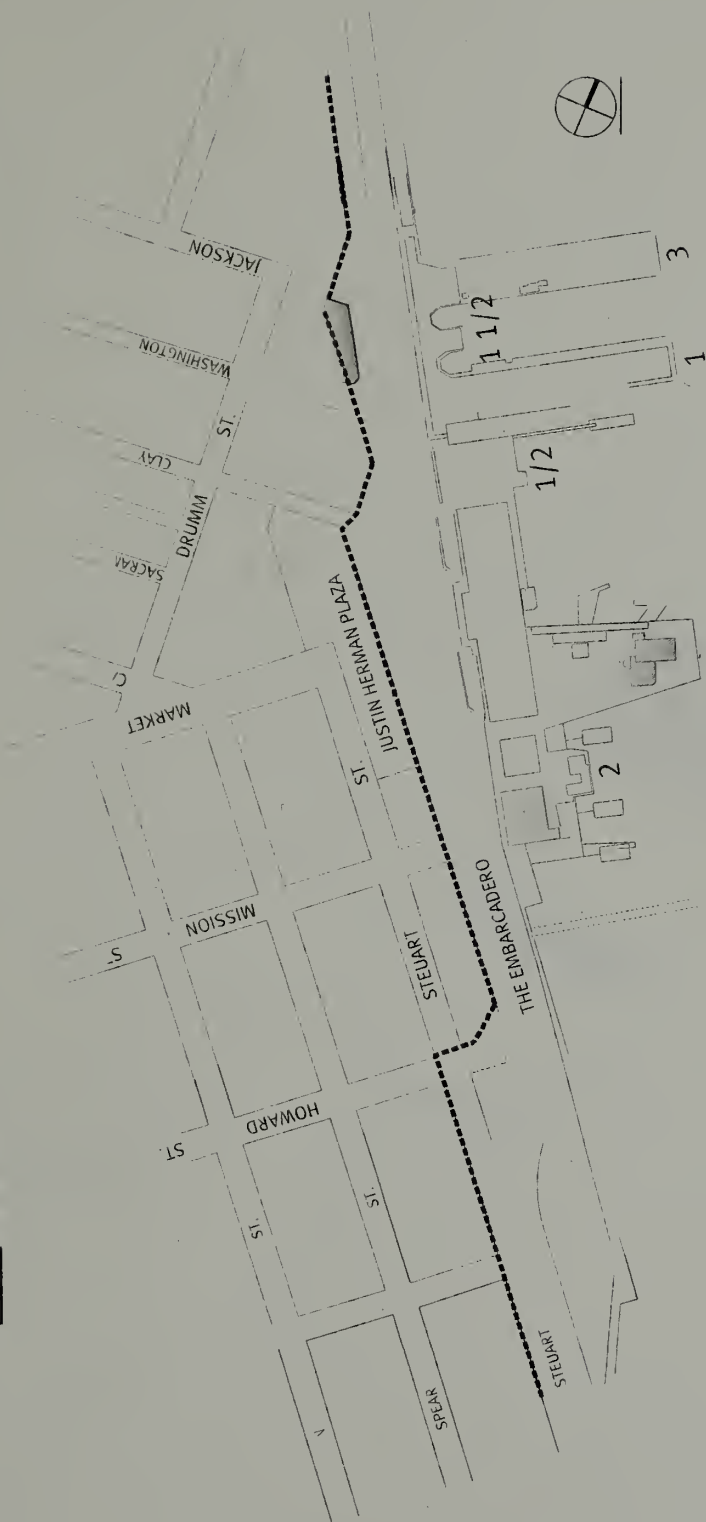
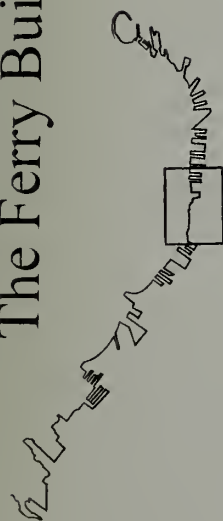


# The Northeast Waterfront





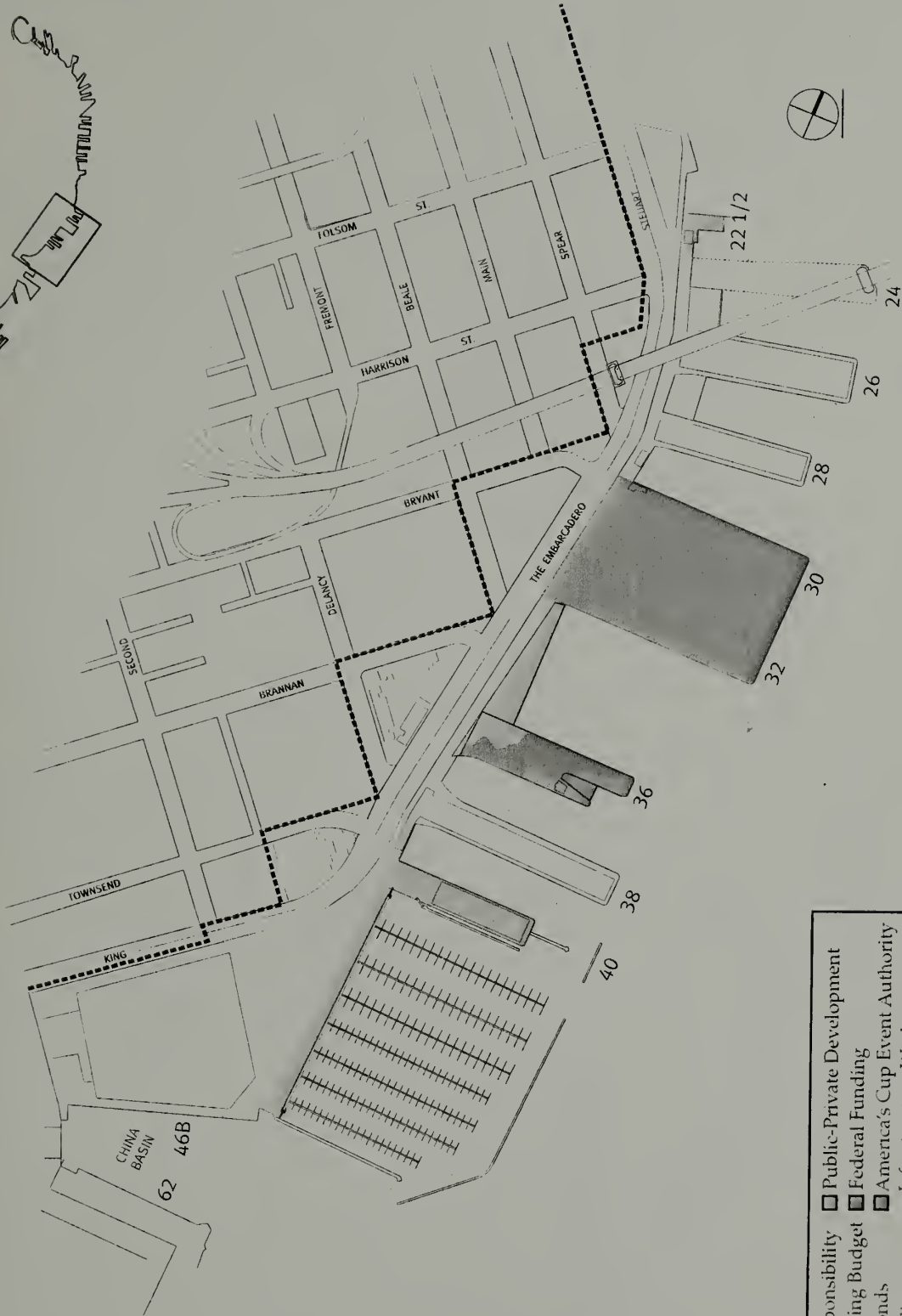
# The Ferry Building Area



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| <input type="checkbox"/> Mixed Funding         | <input type="checkbox"/> Infrastructure Works                     |
|  | <input type="checkbox"/> General Obligation Bonds                 |

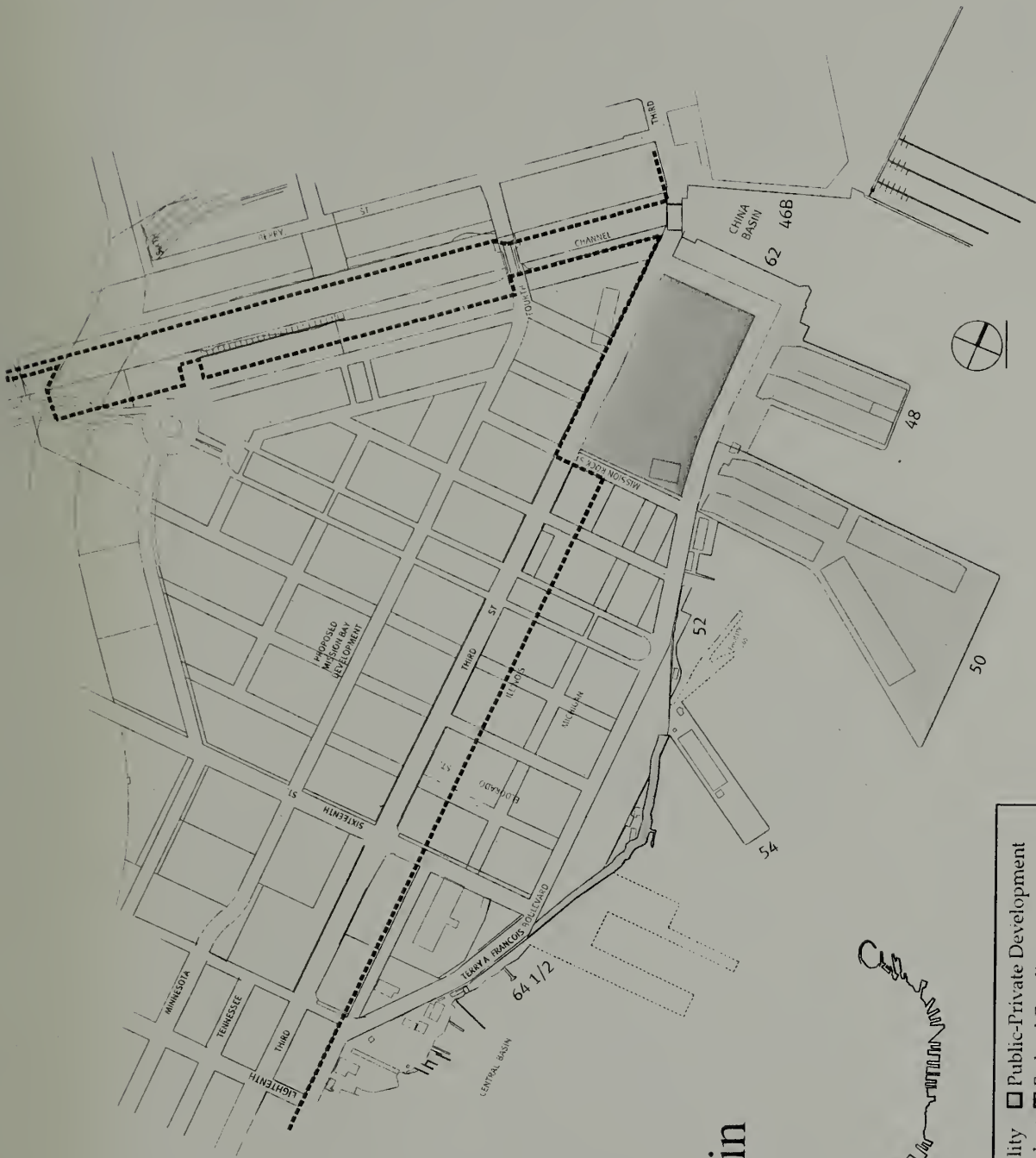


# South Beach









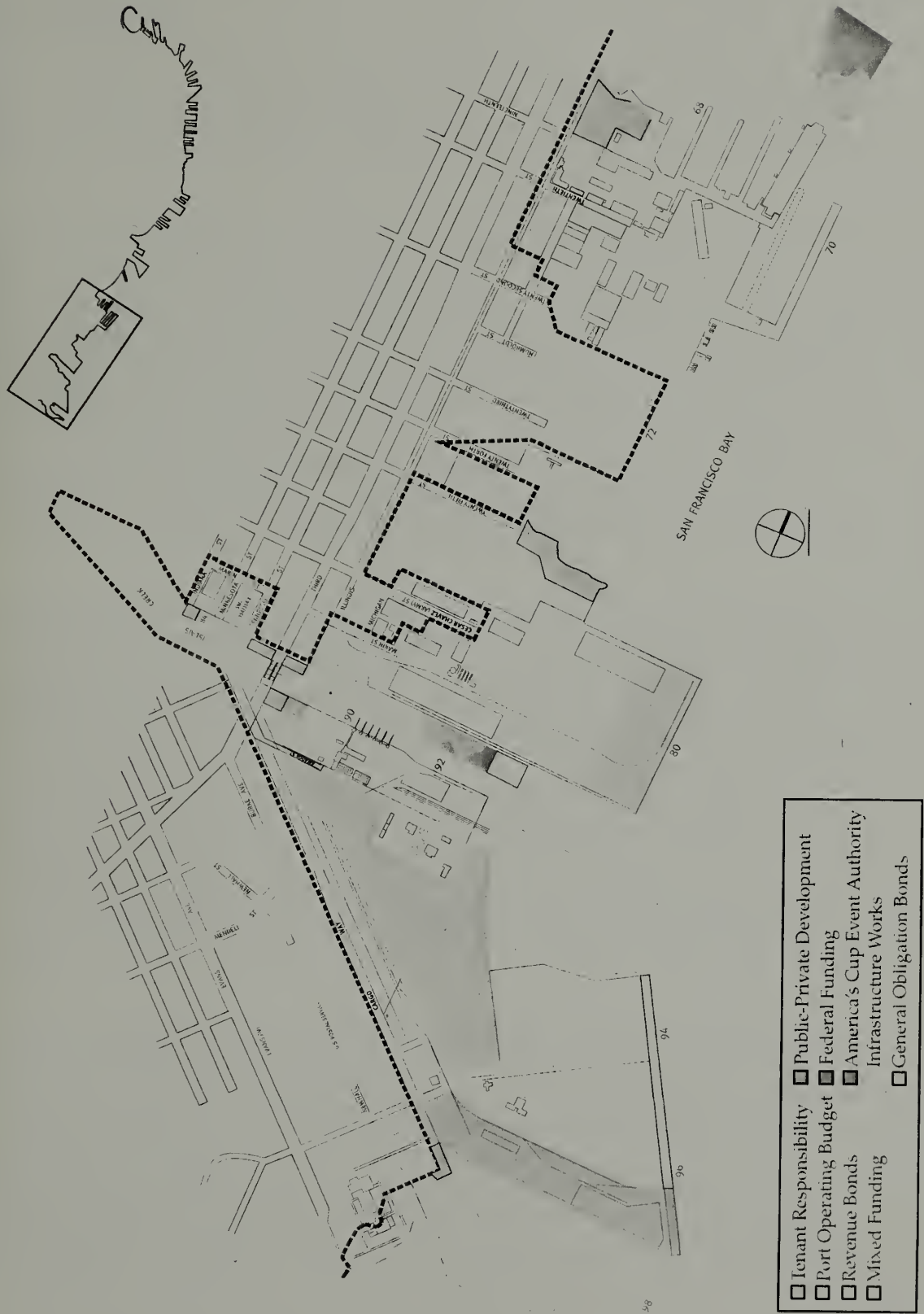
## China Basin



- |  |  |
|--|--|
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| <input type="checkbox"/> Port Operating Budget | <input type="checkbox"/> Federal Funding               |
| <input type="checkbox"/> Revenue Bonds         | <input type="checkbox"/> America's Cup Event Authority |
| <input type="checkbox"/> Mixed Funding         | <input type="checkbox"/> Infrastructure Works          |
|  | <input type="checkbox"/> General Obligation Bonds      |



# The Southern Waterfront





## V. Conclusions

The Port's 10-Year Capital Plan continues to evolve since its inception five years ago. The Port has used the information that the Plan generates to develop and implement its legislative and financing strategies to redevelop the City's waterfront, fulfill its public trust mission, and reconnect the City with its waterfront.

Specifically, since the first Plan in 2006, the Port has used this document to guide a total in investment of approximately \$75 million in non-developer funding. The Plan provided a solid framework and confidence-building, holistic view of the Port to interested constituents, as well as to general audiences in the press –something critical to the Port's inclusion in and passage of the 2008 General Obligation Parks Bonds. In this same way, the Plan was integral to the Port's issuance of its revenue bonds, series 2010, as well as to the submittal and award of the City's bid to host the 34<sup>th</sup> America's Cup. As a road-map, it has enabled stronger application for Federal grant funding, and stronger footing for inclusion in future general obligation bonds. As a demonstration of the growing inadequacy of private equity alone to address the Port's capital infrastructure needs, it served a vital role in supporting legislative changes to the Port's ability to develop Pier 70.

Moving forward to this iteration of the Port's 10-Year Capital Plan, this document has taken on more value as a planning tool than ever before. The new process for evaluating capital projects, conducted concurrently with the capital budgeting process, is viewed widely among Port staff members as an improvement over the prior process, and has resulted in consensus on funding priority that transcends divisional interests. Port staff members also consulted the results of this process when considering selection of projects for the Port's 2012 revenue bond projects, which made that selection straight forward and uncomplicated. Finally, more than any other year, this Plan acts as a showcase of the Port's policy priorities when it comes to investment of scarce resources in critical areas, such as the Port's upcoming under pier utility infrastructure investments, and commitment to investments tied to the 34<sup>th</sup> America's Cup. As a more rigid planning tool with more emphasis on financial planning, it better suits the Port's institutional needs of FY 2012.

This Plan will continue to evolve, as the long journey ahead of the Port will, from time to time, bring new and unexpected challenges. This iteration of the Plan looks forward to the Port's next new major challenge and opportunity: preparing for the 34<sup>th</sup> America's Cup. The waterfront has seen a series of transformative events since the Loma Prieta earthquake in 1989: the removal of the Embarcadero Freeway, the Embarcadero Roadway project, the opening of AT&T Ballpark and the world-class Ferry Building rehabilitation project, among others. Port staff is confident that the 34<sup>th</sup> America's Cup will stand with these other achievements as a major inflection point in the transformation of the San Francisco waterfront.





Success will require new resources and a level of coordination with other City staff not undertaken since the Embarcadero Roadway project. Mayor Edwin Lee has already indicated his commitment to the effort and Port staff is excited to be a member of the team that will deliver the 34<sup>th</sup> America's Cup in 2013.

In addition to facilitating a successful event with its partner, the America's Cup Event Authority, Port staff will define success based on its ability to deliver a set of waterfront improvements during the period leading up to the 34<sup>th</sup> America's Cup or immediately after, that meets the public's expectations for an improved waterfront. We are confident that with the help of our City partners, the Port will be able to utilize the combination of public and private resources that will be required to meet that goal.

As the Port staff moves quickly to realize this newly revealed future of the Port of San Francisco, this Plan will simultaneously ensure that we are, at once, protecting our enduring assets.



## APPENDIX A

### Definitions

**Building Type:** This is the fundamental structure type, where a 'simple' building is a warehouse or garage structure with limited subsystems, a 'basic' building is a standard commercial structure with appropriate subsystems, 'small' buildings are less than 5,000 square feet (and as such, the method for estimating costs for these structures is simplified), and a 'pier' is a pile supported over-water foundation structure (as distinct from a shed building that sit atop a pier).

**Backlog:** The accumulation of all overdue needed repair work, as of year one of this Plan.

**10 Year Renewals:** Costs for replacing building subsystems that will reach the end of their life between year one and year 10 of this Plan.

**One Time Costs:** Costs that are singular in nature, such as a seismic upgrade, as differentiated from the cyclical costs of replacing building subsystems at the end of their lifetime (e.g., many roofs at the Port are 30-year roofs, and as such, are on a 30-year replacement schedule).

### APPENDIX A - 10 YEAR NEED SUMMARY, BY FACILITY (In Thousands)

Fac ID No.	Building Name	Building Type	Backlog	10 Year Renewals	One Time Costs	Total
5470H	Blue Shed Bldg (Wharf J-11)	SIMPLE	\$74	\$0	\$1,405	\$1,479
1840	Copra Crane	BASIC	\$763	\$0	\$0	\$763
1001	Downtown Ferry Terminal	BASIC	\$646	\$0	\$34,412	\$35,058
0000	Equipment	BASIC	\$0	\$0	\$9,073	\$9,073
2740	Fac. 200 - World Trade Club Restaurant	BASIC	\$288	\$1,693	\$752	\$2,733
2000	Fac. 2000 - Ferry Plaza	PIERS	\$539	\$332	\$3,841	\$4,712
2750	Fac. 274-175 - Ferry Building Clock Tower	BASIC	\$0	\$315	\$306	\$621
2750	Fac. 274-275 Ferry Building	BASIC	\$0	\$7,677	\$7,463	\$15,140
2780	Fac. 278 Agriculture Bldg Substructure	PIERS	\$4,823	\$0	\$2,644	\$7,467
2780	Fac. 278 Agriculture Building	BASIC	\$3,211	\$245	\$555	\$4,011
2750	Ferry Building: Fac. 274 - 275	PIERS	\$0	\$0	\$0	\$0
6020	Freight Yard - Intermodal Container Transfer Facility	Street	\$3,406	\$9,987	\$27,335	\$40,727
4000	Harbor Office at Hyde Street	SMALL	\$0	\$0	\$512	\$512
1980	Herons Head Park	BASIC	\$171	\$0	\$192	\$363
2500	Hyde Street Pier	PIERS	\$0	\$0	\$0	\$0
2500	Hyde Street Pier - Storage Buildings (3)	SMALL	\$0	\$0	\$0	\$0
	Port					
000	Leased Piers	Wide	\$0	\$39,701	\$0	\$39,701
1010	Pier 1	PIERS	\$0	\$75	\$0	\$75
1010	Pier 1 - Office Building	BASIC	\$0	\$2,962	\$0	\$2,962
1015	Pier 1 1/2	PIERS	\$0	\$0	\$0	\$0
1015	Pier 1 1/2 - Bulkhead/Shed Building	BASIC	\$0	\$239	\$0	\$239
1005	Pier 1/2	PIERS	\$744	\$0	\$2,060	\$2,804
1140	Pier 14 (Public Pier)	PIERS	\$0	\$0	\$0	\$0
1150	Pier 15	PIERS	\$15,215	\$0	\$14,121	\$29,336
1150	Pier 15 - Bulkhead/Shed Building (contains trailer	SIMPLE	\$2,756	\$508	\$3,487	\$6,751



APPENDIX A - 10 YEAR NEED SUMMARY, BY FACILITY (In Thousands)						
Fac ID No.	Building Name	Building Type	Backlog	10 Year Renewals	One Time Costs	Total
1155	Pier 15/17 - Office on Marginal Wharf	SMALL	\$0	\$0	\$0	\$0
1155	Pier 15/17 Valley - demolition	PIERS	\$8,106	\$0	\$0	\$8,106
1170	Pier 17	PIERS	\$7,311	\$0	\$9,668	\$16,979
1170	Pier 17 - Shed Building	SIMPLE	\$2,850	\$667	\$2,926	\$6,444
1175	Pier 17 1/2	PIERS	\$1,321	\$0	\$434	\$1,755
1190	Pier 19	PIERS	\$8,075	\$0	\$8,686	\$16,761
1190	Pier 19 - Bulkhead/Shed Building	SIMPLE	\$1,755	\$152	\$2,452	\$4,359
1195	Pier 19 1/2	PIERS	\$4,732	\$0	\$2,594	\$7,326
1195	Pier 19 1/2 - Bulkhead/Shed	SIMPLE	\$571	\$70	\$1,097	\$1,738
1020	Pier 2	PIERS	\$3,940	\$0	\$1,880	\$5,820
2770	Pier 2 - Sinbads	BASIC	\$374	\$347	\$159	\$879
1225	Pier 22 1/2	PIERS	\$2,112	\$8	\$914	\$3,034
1225	Pier 22 1/2 - Fire Station	BASIC	\$531	\$77	\$124	\$732
1225	Pier 22 1/2 - Maintenance / Recreation	SMALL	\$0	\$0	\$0	\$0
1230	Pier 23	PIERS	\$5,622	\$0	\$9,248	\$14,870
1230	Pier 23 - Bulkhead/Shed Building	SIMPLE	\$1,467	\$574	\$2,514	\$4,555
1235	Pier 23 1/2	PIERS	\$2,610	\$0	\$429	\$3,039
1235	Pier 23 1/2 Pier 23 Cafe	SMALL	\$0	\$0	\$0	\$0
1245	Pier 24 1/2	PIERS	\$4,018	\$0	\$3,149	\$7,167
1245	Pier 24 1/2 -Bulkhead/Shed Building	SIMPLE	\$550	\$0	\$701	\$1,251
1260	Pier 26	PIERS	\$13,737	\$0	\$31,360	\$45,097
1260	Pier 26 - Bulkhead/Shed	SIMPLE	\$1,910	\$1,027	\$3,221	\$6,159
1265	Pier 26 1/2	PIERS	\$3,027	\$0	\$2,441	\$5,468
1265	Pier 26.5 - Bulkhead	BASIC	\$1,660	\$1,133	\$0	\$2,792
1270	Pier 27	PIERS	\$461	\$398	\$40,523	\$41,382
1270	Pier 27 - Office Annex	SMALL	\$500	\$0	\$0	\$500
2275	Pier 27 - Office/Admin Building	BASIC	\$894	\$187	\$306	\$1,387
1270	Pier 27 Shed Building	SIMPLE	\$2,808	\$2,277	\$2,548	\$7,633
1280	Pier 28	PIERS	\$8,823	\$0	\$21,185	\$30,008
1280	Pier 28 - Bulkhead/Shed Building	SIMPLE	\$1,848	\$469	\$1,928	\$4,245
1285	Pier 28 1/2	PIERS	\$601	\$0	\$330	\$931
1285	Pier 28 1/2 - Hivive Restaurant	SMALL	\$0	\$184	\$0	\$184
1290	Pier 29	PIERS	\$16,138	\$0	\$16,826	\$32,964
1290	Pier 29 - *Bulkhead/Shed Building	SIMPLE	\$4,199	\$251	\$3,883	\$8,334
1295	Pier 29 1/2	PIERS	\$0	\$0	\$0	\$0
1295	Pier 29 1/2 - Bulkhead Building	SIMPLE	\$1,283	\$85	\$1,316	\$2,684
1030	Pier 3	PIERS	\$7,211	\$0	\$5,579	\$12,790
1030	Pier 3 - Bulkhead/Shed Building	BASIC	\$0	\$387	\$0	\$387
1320	Pier 30 and 32	PIERS	\$23,022	\$251	\$55,789	\$79,061
1310	Pier 31	PIERS	\$10,405	\$0	\$14,811	\$25,216
1310	Pier 31 - Bulkhead/Shed Building	SIMPLE	\$2,676	\$1,231	\$2,383	\$6,289
1315	Pier 31 1/2	PIERS	\$3,262	\$0	\$2,682	\$5,944
1325	Pier 32 1/2 Marginal Wharf (Brannon St)	PIERS	\$0	\$0	\$29,000	\$29,000
1330	Pier 33	PIERS	\$5,786	\$0	\$9,645	\$15,431
1330	Pier 33 - Bulkhead/Shed Building	SIMPLE	\$1,748	\$1,342	\$2,229	\$5,319
1335	Pier 33 1/2	PIERS	\$0	\$0	\$421	\$421
1335	Pier 33 1/2 - Bulkhead Building	BASIC	\$1,497	\$97	\$0	\$1,594





**APPENDIX A - 10 YEAR NEED SUMMARY, BY FACILITY (In Thousands)**

Fac ID No.	Building Name	Building Type	Backlog	10 Year Renewals	One Time Costs	Total
1345	Pier 34 1/2 Marginal Wharf	PIERS	\$0	\$0	\$0	\$0
1350	Pier 35 - Bulkhead/Shed Building	BASIC	\$3,277	\$12,927	\$4,570	\$20,775
1355	Pier 35 1/2	PIERS	\$0	\$0	\$4,596	\$4,596
1350	Pier 35 Cruise Terminal	PIERS	\$13,340	\$233	\$15,690	\$29,262
1360	Pier 36 (to be demolished)	PIERS	\$123	\$0	\$7,000	\$7,123
1360	Pier 36 - Bulkhead Building/Shed	SIMPLE	\$937	\$0	\$0	\$937
1380	Pier 38	PIERS	\$31,996	\$0	\$14,406	\$46,402
1380	Pier 38 - Bulkhead/Shed Building	SIMPLE	\$270	\$1,396	\$2,781	\$4,447
1385	Pier 38 1/2	PIERS	\$558	\$0	\$459	\$1,017
1390	Pier 39	PIERS	\$0	\$0	\$0	\$0
1390	Pier 39 - Retail Shops	BASIC	\$3,690	\$10,884	\$6,550	\$21,124
1390	Pier 39 - Underwater World	BASIC	\$266	\$727	\$0	\$993
1395	Pier 39 1/2 Marginal Wharf	PIERS	\$0	\$0	\$0	\$0
1400	Pier 40	PIERS	\$18,782	\$0	\$9,262	\$28,044
1400	Pier 40 - Shed Building	SIMPLE	\$233	\$156	\$1,151	\$1,541
1405	Pier 40 1/2 (S Beach Harbor Wharf)	PIERS	\$2,466	\$0	\$405	\$2,871
1405	Pier 40 1/2 - Java House	SMALL	\$0	\$0	\$0	\$0
1400	Pier 40 Restaurant & Robert Steck Chandelry	BASIC	\$47	\$181	\$200	\$428
1410	Pier 41	PIERS	\$0	\$0	\$2,872	\$2,872
1415	Pier 41 1/2	PIERS	\$0	\$0	\$0	\$0
1415	Pier 41 1/2 - Blue&Gold Bldg.	BASIC	\$0	\$663	\$370	\$1,033
1430	Pier 43	PIERS	\$99	\$0	\$269	\$368
1430	Pier 43 - Arch	SMALL	\$0	\$211	\$0	\$211
1435	Pier 43 1/2	PIERS	\$1,949	\$0	\$13,861	\$15,810
1435	Pier 43 1/2 - Franciscan Restaurant	BASIC	\$561	\$595	\$358	\$1,514
1435	Pier 43 1/2 - Red & White Tours	SMALL	\$0	\$0	\$0	\$0
1450	Pier 45	PIERS	\$1,277	\$2,222	\$154	\$3,653
1450	Pier 45 - Shed A	SIMPLE	\$454	\$1,226	\$2,327	\$4,008
1450	Pier 45 - Shed B	SIMPLE	\$457	\$1,233	\$1,824	\$3,514
1450	Pier 45 - Shed C	SIMPLE	\$706	\$323	\$4,953	\$5,982
1450	Pier 45 - Shed D	SIMPLE	\$466	\$1,114	\$1,648	\$3,228
1461	Pier 46B China Basin Ferry Terminal	PIERS	\$815	\$0	\$9,058	\$9,873
1470	Pier 47 - Guardinos Storage Bldg	SMALL	\$0	\$54	\$0	\$54
1470	Pier 47 - Scoma / Fish Prep Bldg	SMALL	\$0	\$50	\$0	\$50
1470	Pier 47 - Scoma Storage Bldg	SMALL	\$0	\$88	\$0	\$88
1470	Pier 47 - Scomas Restaurant	BASIC	\$329	\$1,039	\$311	\$1,679
1470	Pier 47 - Scomas Storage Shed	SMALL	\$0	\$19	\$0	\$19
1470	Pier 47 - Wharf J6, J7, J8	PIERS	\$1,794	\$727	\$3,884	\$6,405
1470	Pier 47 WF Albert Seafoods Proc Bldg	SIMPLE	\$122	\$78	\$164	\$364
1480	Pier 48	PIERS	\$7,461	\$1,439	\$1,360	\$10,260
1480	Pier 48 - Shed A	SIMPLE	\$1,531	\$368	\$0	\$1,899
1480	Pier 48 - Shed B	SIMPLE	\$1,573	\$378	\$0	\$1,951
1485	Pier 48 1/2 - Jellys restaurant	SMALL	\$0	\$0	\$0	\$0
1490	Pier 49 - Aliotos Restaurant (Wharf J-1)	BASIC	\$0	\$362	\$302	\$664
1490	Pier 49 - Fishermans Grotto No. 9 (Wharf J-1)	BASIC	\$0	\$563	\$469	\$1,032
1490	Pier 49 - Fishermans Memorial Chapel	SMALL	\$0	\$141	\$0	\$141
1490	Pier 49 - Guardinos (Wharf J-1)	SMALL	\$0	\$0	\$0	\$0



**APPENDIX A - 10 YEAR NEED SUMMARY, BY FACILITY (In Thousands)**

Fac ID No.	Building Name	Building Type	Backlog	10 Year Renewals	One Time Costs	Total
1490	Pier 49 - Sabella & Latorre (Wharf J-1)	SMALL	\$0	\$0	\$0	\$0
1490	Pier 49 - Tarantinos Restaurant (Wharf J-1)	BASIC	\$0	\$220	\$179	\$399
1490	Pier 49 - The Crab Station (Wharf J-1)	SMALL	\$0	\$0	\$0	\$0
1490	Pier 49 Nicks Lighthouse (Wharf J-1)	SMALL	\$0	\$0	\$0	\$0
1050	Pier 5	PIERS	\$0	\$0	\$0	\$0
1055	Pier 5 1/2 - Bulkhead Building	BASIC	\$0	\$284	\$0	\$284
1500	Pier 50	PIERS	\$27,370	\$1,679	\$17,733	\$46,782
1500	Pier 50 - Shed A	SIMPLE	\$2,021	\$325	\$1,864	\$4,209
1500	Pier 50 - Shed B	SIMPLE	\$1,049	\$1,050	\$1,890	\$3,989
1500	Pier 50 - Shed C	SIMPLE	\$1,263	\$1,388	\$2,270	\$4,920
1500	Pier 50 - Shed D	SIMPLE	\$1,214	\$878	\$2,903	\$4,995
1505	Pier 50 1/2	PIERS	\$0	\$0	\$334	\$334
2505	Pier 50 Administration Building	BASIC	\$1,625	\$557	\$487	\$2,669
1520	Pier 52	PIERS	\$0	\$0	\$3,841	\$3,841
1540	Pier 54	PIERS	\$29,099	\$0	\$11,531	\$40,630
1540	Pier 54 - Office Bldg	SMALL	\$471	\$0	\$0	\$471
1540	Pier 54 - Oil Shed	SMALL	\$112	\$0	\$0	\$112
1540	Pier 54 - Shed Building	SIMPLE	\$369	\$84	\$616	\$1,068
1540	Pier 54 - Storage Shed	SMALL	\$0	\$37	\$0	\$37
1600	Pier 60 - Wharf - wood piles	PIERS	\$1,036	\$0	\$448	\$1,484
1600	Pier 60 - Wharf Carmens Restaurant	SMALL	\$122	\$0	\$0	\$122
1640	Pier 64	PIERS	\$2,561	\$0	\$1,661	\$4,222
1645	Pier 64 1/2 Kelly Mission Rock Resort Restnt	BASIC	\$0	\$173	\$0	\$173
1680	Pier 68	PIERS	\$6,737	\$36,672	\$24,465	\$67,874
1075	Pier 7 - The Waterfront Restaurant	BASIC	\$271	\$220	\$152	\$643
1075	Pier 7 1/2	PIERS	\$0	\$0	\$0	\$0
1070	Pier 7 Public Pier	PIERS	\$0	\$0	\$0	\$0
1700	Pier 70	PIERS	\$47,098	\$0	\$67,390	\$114,488
1680	Pier 70 - Pier 68 - Bathrooms Bldg. #141	SMALL	\$0	\$0	\$0	\$0
1680	Pier 70 - Pier 68 - Beth Street Substation #2, Bldg. #50	SMALL	\$85	\$0	\$0	\$85
1680	Pier 70 - Pier 68 - Beth Street Warehouse Bldg. #30	SMALL	\$0	\$660	\$0	\$660
1680	Pier 70 - Pier 68 - Blast Shed Bldg. #150	SMALL	\$0	\$0	\$0	\$0
1680	Pier 70 - Pier 68 - Boiler/Steam Power House - #103	SMALL	\$0	\$262	\$205	\$467
1680	Pier 70 - Pier 68 - Building #149	SMALL	\$0	\$0	\$0	\$0
1680	Pier 70 - Pier 68 - Cable/Electric Shop - Bldg.#38	SIMPLE	\$744	\$0	\$5,701	\$6,445
1680	Pier 70 - Pier 68 - Checkhouse #1, Bldg. #122	SMALL	\$0	\$0	\$167	\$167
1680	Pier 70 - Pier 68 - Checkhouse #2, Bldg. #123	SMALL	\$0	\$0	\$81	\$81
1680	Pier 70 - Pier 68 - Equipment Building #36	SIMPLE	\$271	\$69	\$2,324	\$2,664
1680	Pier 70 - Pier 68 - Machine Shop - Bldg. #105	SIMPLE	\$458	\$41	\$3,746	\$4,246
1680	Pier 70 - Pier 68 - near checkhouse #2, Building #51	SMALL	\$56	\$0	\$0	\$56
1680	Pier 70 - Pier 68 - Office Bldg (#127)	SMALL	\$0	\$0	\$0	\$0
1680	Pier 70 - Pier 68 - Office Bldg Annex to #101, Bldg. #40	BASIC	\$1,330	\$0	\$295	\$1,625
1680	Pier 70 - Pier 68 - Office Building #101	BASIC	\$5,598	\$554	\$26,068	\$32,220
1680	Pier 70 - Pier 68 - Office Building #104	BASIC	\$3,886	\$0	\$17,668	\$21,554
1680	Pier 70 - Pier 68 - Office/Warehouse Bldg.- Bldg #111	BASIC	\$5,442	\$1,231	\$9,950	\$16,623
1680	Pier 70 - Pier 68 - Ops. Bldg #102	BASIC	\$762	\$162	\$848	\$1,772
1680	Pier 70 - Pier 68 - Pipe Rack, Bldg. #120	SMALL	\$0	\$0	\$43	\$43





**APPENDIX A - 10 YEAR NEED SUMMARY, BY FACILITY (In Thousands)**

<b>Fac ID No.</b>	<b>Building Name</b>	<b>Building Type</b>	<b>Backlog</b>	<b>10 Year Renewals</b>	<b>One Time Costs</b>	<b>Total</b>
1680	Pier 70 - Pier 68 - Pipe Storage Bldg #107	SMALL	\$0	\$203	\$0	\$203
1680	Pier 70 - Pier 68 - Sheet Metal/Tools Bldg #109	SIMPLE	\$1,075	\$874	\$478	\$2,427
1680	Pier 70 - Pier 68 - Shipwright Building -#108	BASIC	\$5,499	\$229	\$10,156	\$15,885
1680	Pier 70 - Pier 68 - Steel Shop Office (bldg #121)	SMALL	\$0	\$87	\$0	\$87
1680	Pier 70 - Pier 68 - Substation #4 (bldg #58)	SMALL	\$0	\$0	\$133	\$133
1680	Pier 70 - Pier 68 - Substation #6, Bldg. #64	SMALL	\$282	\$0	\$956	\$1,238
1680	Pier 70 - Pier 68 - Substation #7 (bldg #68)	SMALL	\$0	\$203	\$74	\$277
1680	Pier 70 - Pier 68 - Warehouse & 6-ton crane, Bldg. #49	SIMPLE	\$86	\$118	\$23	\$227
1680	Pier 70 - Pier 68 - Yard Washroom, Bldg. #110	SMALL	\$553	\$0	\$723	\$1,276
1680	Pier 70 - Pier 68 - Yard Washroom, Bldg. #119	SMALL	\$203	\$0	\$0	\$203
3450	Pier 70 - SWL 345 - Kneass Boatworks, Main Office/boat storage	SIMPLE	\$0	\$0	\$1,584	\$1,584
3450	Pier 70 - SWL 345 - Kneass, Pier 66 Boatyard Office	SMALL	\$282	\$0	\$0	\$282
3490	Pier 70 - SWL 349 - Auto Yard Shop Bldg #19	SIMPLE	\$179	\$0	\$1,057	\$1,236
3490	Pier 70 - SWL 349 - Beth Street Stress Relieving, Bldg. #16	SIMPLE	\$253	\$0	\$1,177	\$1,430
3490	Pier 70 - SWL 349 - Beth Street Warehouse, Bldg. #32	SIMPLE	\$327	\$0	\$1,449	\$1,776
3490	Pier 70 - SWL 349 - Beth Street Washroom & Locker, Bldg. #24	SMALL	\$483	\$0	\$672	\$1,155
3490	Pier 70 - SWL 349 - Beth Street Washroom & Locker, Bldg. #25	SMALL	\$0	\$210	\$51	\$261
3490	Pier 70 - SWL 349 - Beth Street Washroom & Locker, Bldg. #29	SMALL	\$521	\$0	\$798	\$1,319
3490	Pier 70 - SWL 349 - Brass Foundry, Bldg. #115	SIMPLE	\$491	\$0	\$5,238	\$5,729
3490	Pier 70 - SWL 349 - Foundry, Bldg. #116	SIMPLE	\$491	\$0	\$5,238	\$5,729
3490	Pier 70 - SWL 349 - Test Room, Bldg. #23	SMALL	\$613	\$0	\$239	\$852
3490	Pier 70 - SWL 349 - UIW Machine Shop, Bldg. #114	SIMPLE	\$245	\$0	\$2,388	\$2,633
3490	Pier 70 - SWL 349 Building #6 (condemned)	SIMPLE	\$1,050	\$0	\$6,510	\$7,560
3490	Pier 70 - SWL 349 Equipment Bldg - Bldg #14	SIMPLE	\$440	\$0	\$5,020	\$5,460
3490	Pier 70 - SWL 349 Heavy Machine Shop - Bldg #113	SIMPLE	\$2,347	\$0	\$27,648	\$29,995
3490	Pier 70 - SWL 349 Office Building - Bldg. #11 Noonan	BASIC	\$3,597	\$473	\$7,722	\$11,792
3490	Pier 70 - SWL 349 SF Shipyard Training Bldg 117	SIMPLE	\$616	\$194	\$9,770	\$10,580
3490	Pier 70 - SWL 349 Shop Building - Bldg #21	SIMPLE	\$228	\$0	\$3,455	\$3,683
3490	Pier 70 - SWL 349 Traffic Department Bldg. #12 & #15	BASIC	\$7,551	\$0	\$16,389	\$23,940
3490	Pier 70 - SWL 349 Traffic Dept. Shed - Bldg #66	SIMPLE	\$624	\$0	\$552	\$1,176
3490	Pier 70 - SWL 349 Warehouse - Bldg.2	SIMPLE	\$2,377	\$0	\$19,014	\$21,391
1800	Pier 80	PIERS	\$8,540	\$2,497	\$57,686	\$68,723
1800	Pier 80 - Entry Canopy	SIMPLE	\$229	\$0	\$276	\$505
1800	Pier 80 - Gear & Maintenance Building	SIMPLE	\$920	\$206	\$976	\$2,102
1800	Pier 80 - Office Bldg #2	SMALL	\$0	\$99	\$0	\$99
1800	Pier 80 - Service Building	SIMPLE	\$1,141	\$1,198	\$775	\$3,114
1800	Pier 80 - Shed A	SIMPLE	\$3,870	\$1,896	\$21,868	\$27,634
1800	Pier 80 - Shed D	SIMPLE	\$2,799	\$1,191	\$4,229	\$8,218
1800	Pier 80 - Terminal Office	SMALL	\$250	\$0	\$0	\$250
2800	Pier 80 Administration Building	BASIC	\$2,396	\$2,681	\$1,964	\$7,040
1800	Pier 80 Office Bldg #1	SMALL	\$0	\$99	\$0	\$99
1090	Pier 9	PIERS	\$10,963	\$0	\$9,010	\$19,973
1095	Pier 9 1/2	PIERS	\$711	\$0	\$584	\$1,295





**APPENDIX A - 10 YEAR NEED SUMMARY, BY FACILITY (In Thousands)**

<b>Fac ID No.</b>	<b>Building Name</b>	<b>Building Type</b>	<b>Backlog</b>	<b>10 Year Renewals</b>	<b>One Time Costs</b>	<b>Total</b>
1090	Pier 9 Bulkhead/Shed Building	BASIC	\$8,150	\$3,015	\$3,216	\$14,381
1900	Pier 90	PIERS	\$9,985	\$0	\$0	\$9,985
1900	Pier 90 - Fire Department Building	BASIC	\$69	\$46	\$156	\$272
1900	Pier 90 - Maintenance Bldg	SMALL	\$0	\$89	\$0	\$89
1900	Pier 90 - Old Powerhouse	SMALL	\$0	\$0	\$0	\$0
1900	Pier 90 - Storage Bldg	SMALL	\$0	\$33	\$0	\$33
1900	Pier 90 - Truck Pits	SMALL	\$0	\$92	\$0	\$92
1920	Pier 92	PIERS	\$3,814	\$0	\$0	\$3,814
1940	Pier 94 - 96 wharf area	PIERS	\$4,749	\$0	\$14,177	\$18,926
1940	Pier 94 - Wharfside Building	SMALL	\$0	\$0	\$0	\$0
1960	Pier 96 - Administration Building	BASIC	\$564	\$790	\$389	\$1,744
1960	Pier 96 - Bounty Restaurant	BASIC	\$744	\$108	\$147	\$998
1960	Pier 96 - Entry Canopy	SIMPLE	\$176	\$0	\$250	\$426
1960	Pier 96 - Exit Canopy	SIMPLE	\$105	\$19	\$148	\$272
1960	Pier 96 - Gatehouse Bldg	SMALL	\$0	\$204	\$0	\$204
1960	Pier 96 - Maintenance Building	BASIC	\$1,311	\$697	\$758	\$2,766
1960	Pier 96 - Office/Restroom	SMALL	\$0	\$121	\$0	\$121
1960	Pier 96 - Recycling/LASH Terminal	SIMPLE	\$2,234	\$4,533	\$4,665	\$11,432
1960	Pier 96 - Storage	SMALL	\$0	\$135	\$0	\$135
1960	Pier 96 - Truck Scales	SMALL	\$0	\$35	\$0	\$35
0000	Port-wide Projects	Port Wide	\$0	\$260,660	\$107,748	\$368,408
4036	Street - 20th east of Illinois	Street	\$407	\$0	\$0	\$407
4038	Street - 24th from Michigan to Maryland	Street	\$567	\$0	\$507	\$1,074
4043	Street - Amador and extension	Street	\$1,801	\$0	\$15,981	\$17,782
4022	Street - Broadway btw Embarcadero & Vallejo	Street	\$448	\$0	\$64	\$512
4008	Street - Embarcadero from Taylor to Powell	Street	\$0	\$0	\$0	\$0
4020	Street - Green between Davis and Front	Street	\$149	\$0	\$0	\$149
3030	Street - Hyde Alley, Fish Alley	Street	\$263	\$0	\$192	\$455
4001	Street - Hyde N of Jefferson to Hyde St Pier	Street	\$213	\$0	\$0	\$213
4004	Street - Jefferson btw Jones and Leavenworth	Street	\$111	\$0	\$0	\$111
4002	Street - Jefferson from Leavenworth to Hyde	Street	\$115	\$0	\$859	\$974
4017	Street - Lombard btw Sansome and Embarcadero	Street	\$159	\$0	\$0	\$159
4040	Street - Marin east of Michigan	Street	\$149	\$0	\$512	\$661
3020	Street - Pier 47, Fish Alley, Al Scoma Way	Street	\$355	\$0	\$0	\$355
4003	Street - R.H. Dana Dr. (Leavenworth) N of Jefferso	Street	\$131	\$0	\$0	\$131
4033	Street - T. Francois along China Basin	Street	\$447	\$0	\$0	\$447
4034	Street - T. Francois btw China Basin and Mission R	Street	\$4,674	\$0	\$0	\$4,674
4006	Street - Taylor Street btw. Jefferson and Embarcadero	Street	\$271	\$0	\$256	\$527
4041	Street - TN, IN, MN btw Tulare and Marin	Street	\$781	\$0	\$0	\$781
3010	SWL 301 - Andre Boudin Pavilion	SMALL	\$0	\$0	\$1,536	\$1,536
3010	SWL 301 - Andre Boudin Restaurant	BASIC	\$0	\$141	\$0	\$141
3020	SWL 302 - Alioto Fish Co.	BASIC	\$0	\$463	\$396	\$859
3020	SWL 302 - Castagnola/Storage Bldg	SMALL	\$0	\$0	\$0	\$0
3020	SWL 302 - Crab Boat Owners Asso.	BASIC	\$344	\$0	\$68	\$412
3020	SWL 302 - Firewood Cafe	BASIC	\$0	\$117	\$100	\$217
3020	SWL 302 - Pompeis Grotto	BASIC	\$0	\$276	\$103	\$379



**APPENDIX A - 10 YEAR NEED SUMMARY, BY FACILITY (In Thousands)**

Fac ID No.	Building Name	Building Type	Backlog	10 Year Renewals	One Time Costs	Total
3020	SWL 302 - Port Harbor Office	SMALL	\$0	\$54	\$0	\$54
3020	SWL 302 - Scomas (Smoke House)	BASIC	\$0	\$68	\$120	\$188
3020	SWL 302 - United Shellfish Warehouse	SMALL	\$0	\$163	\$0	\$163
3030	SWL 302 Cal Shell Fish Shed	SMALL	\$0	\$0	\$0	\$0
3020	SWL 302 Castagnola Rest.	BASIC	\$0	\$443	\$370	\$813
3020	SWL 302 Coast Marine Supply Mat. Storage Bldg	SIMPLE	\$0	\$184	\$523	\$707
3020	SWL 302 Costal Marine Retail Space	SMALL	\$0	\$0	\$0	\$0
3020	SWL 302 D&G Co. d.b.a. Lou Blues	SMALL	\$0	\$519	\$0	\$519
3020	SWL 302 Franks Fisherman Supply	BASIC	\$86	\$251	\$205	\$543
3020	SWL 302 Substructure (Wharf J-9)	PIERS	\$4,619	\$344	\$1,749	\$6,712
3020	SWL 302 United Shellfish Processing	SIMPLE	\$0	\$15	\$43	\$58
3030	SWL 303 - Alioto Fish Co,	BASIC	\$0	\$330	\$184	\$514
3030	SWL 303 - Cal Shell Fish	BASIC	\$0	\$279	\$122	\$401
3030	SWL 303 - Cioppinos/(Hoppe)	BASIC	\$0	\$581	\$286	\$867
3030	SWL 303 - Franceschis Restaurant	BASIC	\$0	\$114	\$92	\$206
3030	SWL 303 - GP Resources	SMALL	\$0	\$29	\$0	\$29
3030	SWL 303 - SP Trantino/Martell Ins	SMALL	\$0	\$0	\$0	\$0
3030	SWL 303 - The Bay Company, Hoppe, Arthur N.	BASIC	\$0	\$256	\$209	\$465
3110	SWL 311 Pier 39 Garage	SIMPLE	\$0	\$768	\$6,058	\$6,826
3130	SWL 313 Embarcadero Triangle Lot Assn.	SIMPLE	\$0	\$607	\$2,872	\$3,479
3150	SWL 315 Office Bulding (HHC Investment limited)	BASIC	\$0	\$4,319	\$3,309	\$7,628
3150	SWL 315 Parking Structure	SIMPLE	\$0	\$509	\$3,849	\$4,358
3160	SWL 316 Houstons Restaurant	BASIC	\$0	\$494	\$315	\$809
3170	SWL 317 Office Building	BASIC	\$0	\$6,991	\$3,631	\$10,622
3180	SWL 318 Roundhouse One	BASIC	\$312	\$785	\$504	\$1,601
3180	SWL 318 Roundhouse Two	BASIC	\$1,265	\$783	\$684	\$2,732
3180	SWL 318 Sandhouse	SMALL	\$0	\$203	\$0	\$203
3190	SWL 319 Fog City Diner	BASIC	\$0	\$298	\$116	\$414
3220	SWL 322 ABC TV	BASIC	\$0	\$9,396	\$4,241	\$13,637
3300	SWL 330 Restaurant and Apts. at Townsend	BASIC	\$0	\$1,775	\$1,875	\$3,650
3310	SWL 331 & 332 Delancey Street Foundation	BASIC	\$0	\$3,982	\$4,101	\$8,083
3430	SWL 343 Bluepeter Building	SIMPLE	\$389	\$39	\$485	\$913
3450	SWL 345 - SF Boat Works Office/Shop	BASIC	\$175	\$251	\$193	\$620
3450	SWL 345 - SF Boat Works Storage/The Ramp	SIMPLE	\$149	\$0	\$160	\$309
3520	SWL 352 - Backlands Redevelopment	BASIC	\$2,338	\$0	\$0	\$2,338
1620	Third Street Bridge House	SMALL	\$0	\$0	\$0	\$0
5470H	Wharf J-11	PIERS	\$417	\$0	\$0	\$417
5470	Wharf J-4	PIERS	\$1,004	\$81	\$0	\$1,085
1490	Wharfs J-1 and J-3 (Pier 49)	PIERS	\$0	\$771	\$2,965	\$3,736
<b>PORT TOTAL</b>			<b>\$554,979</b>	<b>\$480,599</b>	<b>\$1,075,578</b>	<b>\$2,172,602</b>







## MEMORANDUM

February 17, 2011

**TO:** MEMBERS, PORT COMMISSION  
Hon. Kimberly Brandon, President  
Hon. Ann Lazarus, Vice President  
Hon. Francis X. Crowley

**FROM:** Monique Moyer *MMoyer*  
Executive Director

**SUBJECT:** Request approval of amendment to Sidewalk, Airspace and Curb-space Encroachment Policy (Resolution No. 06-48) and subsequent amendment (Resolution No. 07-21) to delete the airspace encroachment permit requirement portion of the policy for those buildings on the south side of Jefferson Street between Powell and Hyde Streets.

**DIRECTOR'S RECOMMENDATION:** Approve Attached Resolution

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### BACKGROUND

On June 13, 2006 the San Francisco Port Commission adopted the Sidewalk, Airspace and Curb-space Encroachment Policy (Resolution No. 06-48, attached for reference) for commercial and non-commercial activities within the Fisherman's Wharf area. New permits generally became effective January 1, 2007. This entire policy applies only to those buildings on the south side of Jefferson St. between Powell and Hyde Streets. On March 13, 2007 that policy was amended (Resolution No. 07-21, attached for reference) to address fees and to place responsibility on the building owner to comply with the related policy.

Since that time, the program has been extremely effective except for the Airspace portion of the program. Because the buildings to which the signs are affixed are not on Port property, building owners must already seek a building permit through City Planning and the City Department of Building Inspections (DBI) and enforcement of correct signage falls under Planning's purview. This has caused consternation with the building owners as they are confused as to why they also need a Port permit. In an effort to assist in streamlining the process, Port staff is recommending an amendment to the program that would remove the Airspace Encroachment portion of the policy.

**THIS PRINT COVERS CALENDAR ITEM NO. 9A**





The main intent of the Airspace Encroachment portion was not necessarily to be a revenue source but to help regulate aesthetics and protect the Port through insurance indemnification. The current Planning Department and DBI processes serve these needs for the Port. Additionally, the Fisherman's Wharf Community Benefit District (FWCBD) has become more active in recent years in managing streetscapes, signage and furnishings.

Over the four years that this policy has been in effect, the Port has executed eight Sidewalk Encroachment permits, two Curb-space permits and six Airspace Encroachment permits along the applicable portion of Jefferson Street between Powell and Hyde Streets. Port staff has had ongoing meetings in an effort to resolve issues with the building owners regarding the Airspace portion of the policy. Six of the building owners did enter into an Airspace Encroachment permit but there has been on-going confusion in determining the calculation of the value of that airspace. Therefore, because the building owners have already gone through the City sign permitting procedure, the Port will no longer require those owners to also apply for an additional Port Airspace Encroachment. Upon approval, the Port will terminate those six existing Airspace permits.

## **REQUEST**

Port staff recommends that the Port defer to City Planning and DBI to permit and regulate signage on the south side of Jefferson Street between Powell and Hyde streets. Building owners are required to obtain permits for signage through City Planning that regulates the location and size of signs and through DBI that regulates the manner in which signs are affixed to the buildings.

Upon approval by the Port Commission, Real Estate staff will submit a request to City Planning for the Port to be notified of signage being placed over Port property via the Block Book Notation process for buildings located between #1-499 on the south side of Jefferson Street between Powell and Hyde Streets. This will allow the Port to track new signage for monitoring purposes.

## **RECOMMENDATION**

Port staff recommends that the Port Commission adopt the attached Resolution amending the Sidewalk, Airspace and Curb-space Encroachment Policy (Resolution No. 06-48) and subsequent amendment (Resolution No. 07-21) to delete the permit requirement for the airspace encroachment portion of the policy.

Prepared by: Susan Reynolds, Deputy Director, Real Estate



**PORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 11-12**

WHEREAS, Charter Section B3.581 grants to the Port Commission the authority and duty to use, conduct, operate, maintain, regulate and control the lands within the Port jurisdiction; and

WHEREAS, on June 13, 2006 the San Francisco Port Commission adopted the Sidewalk, Airspace and Curb-space Encroachment Policy (Resolution No. 06-48) for commercial and non-commercial activities within the Fisherman's Wharf area, specifically those buildings on the south side of Jefferson St. between Powell and Hyde Streets numbered 1-499; and

WHEREAS, on March 13, 2007 that policy was amended (Resolution No. 07-21, attached for reference) to address fees and to place responsibility on the building owner to comply with the related policy; and

WHEREAS, building owners that have been subject to the Port's requirements are already required to obtain permits for signage through City Planning which regulates location and size of signs and DBI which regulates the manner in which signs are affixed to the buildings; and

WHEREAS, in order to facilitate a more business friendly and streamlined process, staff recommends amending the current policy to remove the Airspace Encroachment permit requirement; and

WHEREAS, Port staff recommends that the Port defer to City Planning and Building Inspections to permit and regulate signage on Jefferson Street between Powell to Hyde streets; now, be it further

RESOLVED, that the Port Commission hereby amends the Sidewalk, Airspace and Curb-space Encroachment Policy (Resolution No. 06-48) to delete the airspace encroachment permit requirement portion of the policy.

***I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of February 22, 2011.***

\_\_\_\_\_  
Secretary



**PORT COMMISSION  
CITY & COUNTY OF SAN FRANCISCO**

**RESOLUTION NO. 06-48**

- WHEREAS, Section 3.581 of the Charter of the City and County of San Francisco empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate and control Port areas of the City and County of San Francisco; and
- WHEREAS, the Port owns sidewalks, airspace and curbspace on the south side of Jefferson Street in the Fisherman's Wharf area within the City and County of San Francisco, State of California, which are Port Parks subject to the Port Code; and
- WHEREAS, unauthorized encroachments on Port Parks may be deemed a misdemeanor or infraction under the Port Code; and
- WHEREAS, the Port owns sidewalks, airspace and curbspace on the west side of Powell Street in the Fisherman's Wharf area which are not subject to the Port Code; and
- WHEREAS, said sidewalks and airspaces adjoin commercial properties that are owned and occupied by others within the City and County of San Francisco; and
- WHEREAS, numerous owners and/or occupants of said properties, and others, have made use of the Port's sidewalk, airspace and curbspace without the Port's permission; and
- WHEREAS, the Port wishes to control sidewalk, airspace and curbspace encroachments to provide better pedestrian mobility, comply with federal and state accessibility regulations, reduce or eliminate unattractive commercial encroachments, and reduce Port Maintenance expenses; and
- WHEREAS, the Port wishes to offer equal accommodation to neighbors whose sidewalk encroachment area may be minimized by Street Artists; and
- WHEREAS, the Port wishes to accommodate and establish a process for authorizing certain commercial and non-commercial sidewalk, airspace, and curbspace encroachments within said Fisherman's Wharf area pursuant to its authority under the Charter and Port Code; now, therefore be it
- RESOLVED, that the Sidewalk, Airspace and Curbspace Encroachment Policy for commercial and non-commercial activities within the Fisherman's Wharf area, attached hereto and as described in Item No. 9D will help to coordinate the activities of various groups using Port property, increase public enjoyment of Port property, and relieve the Port Commission of liability from any harm that arises from the use of Port property by requiring appropriate insurance, and help to prevent inconvenience to the public or Port property; and be it further






RESOLVED, that the Port Commission hereby adopts the Sidewalk, Airspace, and Curbspace Encroachment Policy for commercial and non-commercial activities within the Fisherman's Wharf area, including the Monthly User Rate Schedule, attached hereto and substantially in the manner described in this Item No. 9D, and issuance of Sidewalk or Airspace and Curbspace Encroachments Permits in a form deemed appropriate, in consultation with the City Attorney; and be it further

RESOLVED, that the Port Staff shall issue new permits that shall become effective immediately, provided that User Fees will not be imposed until January 1, 2007.

*I hereby certify that the foregoing resolution was adopted by the San Francisco Port Commission at its meeting of June 13, 2006.*



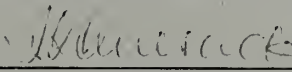
Secretary



**PORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO  
RESOLUTION NO. 07-21**

- WHEREAS, By Resolution No 06-48, the Port Commission adopted the Sidewalk, Airspace, and Curbspace Encroachment Policy on June 13, 2006 ("Policy") for the south side of Jefferson Street and west side of Powell Street in Fisherman's Wharf (the "Policy Area"); and
- WHEREAS, at the request of concerned community members, by Resolution No. 07-06 the Port Commission approved a delay in the implementation of the Airspace portion of the Policy until March 13, 2007 while Port staff and community members negotiated possible changes; and
- WHEREAS, those negotiations have resulted in the development of a gradual implementation program and a different pricing structure; and
- WHEREAS, agreements for airspace uses will be entered into by the Port only with the adjacent property owners in the Policy Area; and
- WHEREAS, to implement the administrative and pricing efficiencies of the amended Policy; now therefore be it
- RESOLVED, that this Port Commission hereby authorizes the Executive Director of the Port, or her designee, to enter into licenses for airspace uses with the property owners or duly-authorized entity of the adjacent non-Port properties within the Policy Area, except for those properties for which an owner or manager who holds office, elected or appointed, with the City and County of San Francisco, has an interest that creates a conflict between his or her official duties and contracting with the Port, in which case the Executive Director, or his or her designee is hereby authorized to issue the License to the tenant(s) of the owner or duly-authorized entity; and be it further
- RESOLVED, that the Port Commission approve the resolution amending the airspace portion of the sidewalk, airspace, and curbspace encroachment Policy 06-48 for the south side of Jefferson Street and west side of Powell Street in Fisherman's Wharf (the "Policy Area") adopted on June 13, 2006 per the attached Exhibit B: Minimum Airspace License Fee Schedule and Additional Modification to Airspace Use License regarding Airspace uses in the Policy Area effective April 1, 2007.

*I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of March 13, 2007.*

  
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Secretary





## MEMORANDUM

February 17, 2011

**TO:** MEMBERS, PORT COMMISSION  
Hon. Kimberly Brandon, President  
Hon. Ann Lazarus, Vice President  
Hon. Francis X. Crowley

**FROM:** Monique Moyer *BMM*  
Executive Director

**SUBJECT:** Informational presentation on Response to Pier 70 Waterfront Site Request for Qualifications Response to Pier 70 Waterfront Site RFQ

**DIRECTOR'S RECOMMENDATION:** Informational Only – No Action Required

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### Summary

Six development submittals were received for the Pier 70 Waterfront Site Request for Qualifications (RFQ) from the following parties:

- Build Inc.
- Forest City Development California
- Mission Bay Development Group
- San Francisco Waterfront Partners
- TMG Partners/The Sobrato Organization
- United States, Department of Veterans Affairs, San Francisco Medical Center

Rather than a proposal for the site, prospective developers were asked to discuss their qualifications and capacity for this project and to articulate a vision to achieve the Port's objectives for the site reflected in the Pier 70 Preferred Master Plan. The RFQ solicitation approach addressed the complexities of the Pier 70 project and lead to a strong response to this offering with six teams seeking to invest in the site.

Staff review of the submittals found four of the six most qualified to meet the requirements of the RFQ. The developer selection process will proceed to the next step of interviews, financial and reference checks, and a technical panel review of the four responsive submittals. These steps can lead to a Port Commission action to initiate negotiations to prepare a development proposal for the site – not an approval of a development project, which will come much later in the process.

This Print Covers Calendar Item No. 10A





## **RFQ Background**

On May 11, 2011, the Port Commission authorized issuance of a Request for Qualifications (RFQ) for the Waterfront Site at Pier 70 and endorsed the vision, goals, objectives, and design criteria of the Preferred Master Plan ("Master Plan") for Pier 70 (Resolution 10-27). This development solicitation follows the publication of the Master Plan for the 69-acre Pier 70 area. The "Waterfront Site" is located at the southeast corner of the site, and is almost 25 acres with capacity for 2.5 million square feet of new development. As shown in Exhibit A, the Waterfront Site includes the large-scale Building 12 historic rehabilitation project, and two new public spaces – Slipway Park and the Central Plaza. The proceeds from this site's rent and tax revenues will support investment in parks, infrastructure and historic buildings for all of Pier 70. Exhibit B provides the development parameters for the site and the Port's objectives for the site.

The complexities of redeveloping Pier 70 require a market based approach to attract a developer. A qualifications-based selection approach to choosing a developer addresses the uncertainties associated with the scale of and complexity of this project and the recent financial climate. The RFQ asked respondents to provide the following information:

1. **Waterfront Site Vision/Concept:** including approach to project implementation, identified uses or users and market rationale, and financial structure for project.
2. **Benchmarks and Schedule:** to realize the project approval.
3. **Qualifications:** the developer's experience completing projects similar in scale and complexity to Pier 70.
4. **Financial Capabilities:** identification of resources available to the developer to execute the project.

The RFQ did not require proposals for plans or design of the buildings or other future projects or an economic proposal. It asked for an approach and demonstration of qualifications and financial capacity to do the project. After selecting a developer, these aspects will be negotiated between the Port and developer after further due diligence regarding project costs, entitlements, and other parameters. As these aspects are negotiated, Port staff will present them to the Port Commission for review, comment and direction by the Port Commissioners and the public.

### *Evaluation Criteria*

The RFQ established the following evaluation criteria and weighting:

1. **APPROACH (35 POINTS)**
  - a. Ability to meet the Port's Objectives for the Waterfront Site with the team and project vision submitted.
  - b. Fit of proposed vision, approach, schedule, and conceptual financial structure for the Waterfront Site project to the goals of the Master Plan, in particular, the likelihood of generating tax and lease revenues needed to fund Pier 70 public benefits.



- c. Feasibility of respondent's approach to succeed in the near term in a San Francisco, waterfront, and Pier 70 context.
- d. Identified users for the site and/or prior relationships with biotechnology, office, and/or industrial tenants.

## 2. EXPERIENCE (30 POINTS)

- a. Successful track record of developing complex, large-scale developments, including former industrial and waterfront sites.
- b. Experience with historic rehabilitation meeting the Secretary of Interior's Standards for the Treatment of Historic Properties.
- c. Experience with building new structures in the context of a historic district.
- d. Proven ability to work with public agencies, particularly in a waterfront context, to achieve development desired by the public sector.
- e. Proven track record of completing projects of comparable type, scope, and quality envisioned.
- f. Proven ability to implement projects quickly, effectively, and on budget.
- g. Experience with sustainable development within an urban context, including demonstrated use of innovative design and development measures to meet LEED standards or otherwise minimize environmental impacts of projects.
- h. Track record of local hiring and participation of locally owned businesses in prior projects.
- i. Demonstrated ability to partner with local organizations and/or address community concerns.

## 3. CAPACITY (35 POINTS)

- a. Financial capacity to develop the Waterfront Site. Proven ability of developer to possess or attract equity and debt capital for a project of this type as evidenced by:
  - i. financings of comparable projects,
  - ii. financial status, and
  - iii. on-going relationships with financial sources.
- b. Sufficient staff and consultant resources to meet the project objectives.

### **Response to RFQ**

The six submittals have been reviewed for responsiveness to the RFQ requirements. Four submittals demonstrated the experience needed for the project and provided the information requested in the RFQ. These include:

- Forest City Development California
- Mission Bay Development Group
- San Francisco Waterfront Partners
- TMG Partners/The Sobrato Organization

While the Department of Veterans Affairs and Build Inc. expressed interesting approaches to implementing the Master Plan, there was a significant difference between their



submittals and the other four. There may well be roles for each of these organizations at Pier 70 in the future, but not as the Waterfront Site Developer.

Exhibit C is a general summary of the four proposals. This information, where possible, reflects the submittals exact language and does not reflect staff analysis or judgment regarding the proposals.

On February 22, 2011, the Port Commission has invited the four prospective developers to make short presentations regarding their qualifications and approach to undertake the Pier 70 project. The presentations are limited to ten minutes and are to introduce the prospective developers to the Port Commission and the public and to hear each team's experience and ideas for the future of Pier 70. Given the nature of a qualifications-based selection process, the presentations need not include renderings, plans, or other visual depictions of a potential project. Prospective developers will address why they are qualified to and interested in undertaking the Waterfront Site project.

### **Public Input**

This staff report and the executive summaries of each response will be posted on the Port's website, [www.sfport.com/pier70](http://www.sfport.com/pier70). The website will also provide a means for the public to provide comment to the Port regarding this selection process. A special meeting of the Port's Central Waterfront Advisory Group will be held on Monday March 7, 2011 focusing on the response to the Waterfront Site RFQ. The meeting will be at 5:30 p.m. at the Potrero Hill Neighborhood House at 953 DeHaro Street.

### **Next Steps**

Staff expects to complete the submittal review and return to the Port Commission with a recommendation to select a developer partner at the March 22, 2011 meeting. The following factors will inform the Staff's recommendation to select a respondent for negotiations:

- Written submittals received
- Interviews
- Answers to additional questions
- Evaluation and scoring by a technical panel of consisting of individuals with experience in real estate economics, land use planning and architecture/urban design.
- Reference checks
- Review of financial materials provided by respondents.

The Port Commission, upon considering the staff recommendation, could then award the development opportunity to one of the respondents. Thereafter, the first step would be to negotiate an exclusive negotiations agreement (ENA), which would come back to the Port Commission for approval. Once in the ENA period, the developer and the Port would





formulate a project description, negotiate the transaction terms, and seek regulatory approvals, including CEQA review. As these aspects are negotiated, Port staff will present them to the Port Commission for review, comment and direction by the Port Commissioners and the public.

Prepared by: Kathleen Diohep, Project Manager

Through: Jonathan Stern, Assistant Deputy Director  
Waterfront Development

For: Byron Rhett, Deputy Director  
Planning & Development

Attachments

- Exhibit A Waterfront Site Map
- Exhibit B Waterfront Site Development Parameters
- Exhibit C Descriptive Summary of RFQ Responses



**Exhibit A**  
**PIER 70 WATERFRONT DEVELOPMENT SITE**



**WATERFRONT SITE RFQ BUILDINGS**

**Building 12**  
 120,000 sq.ft.

**Building 2** 97,000  
 sq.ft.



**Building 21 Risdon Ironworks**  
 10,000 sq.ft.

**Noonan Building**  
 33,000 sq.ft.







**EXHIBIT B**  
**KEY RFQ PARAMETERS FOR THE WATERFRONT SITE**

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***Development Parameters***

- Gross Land Area: Southeast corner of site, about 25 acres including park/plaza sites
- Parks/Plazas: Slipway Park and Central Plaza – 3 acres
- New Development: Maximum of 2.5 million gross building square feet above ground. In the Master Plan, this area is illustrated at building heights ranging from 50' to 90'
- Use: Job Center Uses: office, research and development, light industrial. Incidental commercial uses to support project.
- Design Guidelines: Pier 70 Master Plan includes design criteria for infill development to ensure compatibility with the historic resources.
- Height Limit: No specific height limit in RFQ – rather a square feet cap and requirement that design is appropriate for historic district.
- Parking: Site must park itself; no more than one space per 1000 square feet of leasable area, subterranean parking does not count against square foot limit
- Historic Buildings: Building 12 – 60,000 SF foot print, now 2 stories, can be more.  
Building 2 – 6 Story, 100,000 sq. ft. – now PDR, likely remain.
- Responsible for rehabilitation, demolition, or relocation of other smaller buildings in this area.

***Objectives for the Waterfront Site Project***

The Port has identified the following objectives for the development of the Waterfront Site that will drive the evaluation of responses to this RFQ and negotiation of the development transactions needed for this project:

- Serve as the catalyst project for Pier 70 to achieve the site-wide goals established in the Master Plan, in particular, securing the necessary entitlements and approvals for public financing to fund site-wide public benefits.
- Create a first class jobs center at Pier 70 that complements existing ship repair operations and reestablishes Pier 70 as a major economic hub for San Francisco. At build-out, the Port expects the Waterfront Site to represent a significant employment center with jobs well-matched to San Francisco's workforce.
- Generate land value, tax revenues, and investment needed to support the infrastructure, parks, and historic rehabilitation investments to realize the Pier 70 Master Plan.
- Design and development of new buildings that enhance and respect the site's historic resources and overall the historic district.
- Open the eastern shore of the site to the public with a major new waterfront park.





- Create business and employment opportunities for local workers and businesses during the design, construction and operation phases of the project.
- Strive for a “carbon-neutral” development program minimizing the reliance on the private automobile and enhancing the pedestrian experience of this historic site and the bayshore.
- Integrate Pier 70 into the eastern neighborhoods of San Francisco through new street networks and destinations that bring people to the Bay’s edge.



# Exhibit C SUMMARY OF RESPONSES TO PIER 70 WATERFRONT SITE RFQ

Entity	Forest City Development California	Mission Bay Development Group	San Francisco Waterfront Partners	TMG Partners/Sobrato Org.
Team	Architect	Subsidiary of Forest City Enterprises, Inc., publicly traded company; vertically integrated with management company	Joint venture of MBDG (10%) and Cherokee (90%). MBDG management; Cherokee equity investor and advise on environmental	50/50 Joint Venture of TMG and Sobrato
	Landscape Arch	AECOM/Evan Rose	Perkins+Will	Will select later
	Historic Architect	Architectural Resources Group	Hargreaves Associates	Conger Moss Guillard
	Legal	Sheppard Mullins Holland & Knight	Page & Turnbull Carey & Co	Page & Turnbull
	Engineers		Coblentz Patch, Dufty & Bass Holland & Knight	Coblentz Patch, Dufty & Bass Holland & Knight
	Contractor		BKF Fehr+Pehrs Freyer+Laureta Moffat+Nicol	BKF Engineers
	Environmental		Nibbi Brothers	PES Environmental
	LEED			Simon & Associates
	Other	Brad Paul Local arts/tech advisors		
		<ul style="list-style-type: none"> <li>The Yards (\$1.2B, off/retail, in const.)</li> <li>Stapleton (\$4B res/office/retail)</li> <li>MetroTech Center (\$2B office)</li> <li>University Park MIT (\$424M biotech/res/office/retail)</li> <li>Presidio Landmark (\$110M res)</li> <li>Westfield SF Centre(\$433M retail/off)</li> <li>5M Project (Office/Light Ind)</li> </ul>	<ul style="list-style-type: none"> <li>Mission Bay (\$9B, res/office/biotech)</li> <li>Alameda Baypoint (\$375M res)</li> <li>Santa Fe Place, (\$500M, res/retail/office/hotel/museum/rail station)</li> <li>Fouborg Boisbriand (\$1B, res/retail/office) Quebec</li> </ul>	<ul style="list-style-type: none"> <li>Hamilton Field, (\$100M, 300 acres, res, office, retail)</li> <li>Emerybay, 80 ac., office, res</li> <li>Crossings , 20 acres, res, retail, hotel</li> <li>Midpoint Tech Park; 1M sf office</li> <li>Nvida HQ, 450,000 sf office</li> <li>Mission Corp Center; 690,000 off</li> <li>Apple HQ, 860,000 office</li> </ul>
Key Experience			<ul style="list-style-type: none"> <li>The Piers (\$64M office/retail)</li> <li>Watermark (\$97M residential)</li> <li>Pan Pacific Hotel (\$100M)</li> <li>Embarcadero Center (office/retail)</li> <li>Peachtree Center (\$800M office/ retail)</li> </ul>	<p>[NEED Dollar values from TMG]</p>



# EXHIBIT C SUMMARY OF RESPONSES TO PIER 70 WATERFRONT SITE RFQ

Approach	Forest City Development California	Mission Bay Development Group	San Francisco Waterfront Partners	TMG Partners/Sobrato Org.
	<p>Envision an innovation cluster that combines high quality office space with "diverse and inspiring public amenities for the broader San Francisco community". Would attract both mature biotech, high-tech and marine sciences companies, and start-up companies, machine shops, prototyping/testing, artist studios, and tech incubators for adaptive reuse of historic structures</p> <p>Key "magnet uses" would include "prototyping, making and art"; "collaboration, exchange and demonstration"; and health/fitness, entertainment, experimental retail".</p>	<p>Technology campus including 2-2.1 M sf of biotech, healthcare, software, digital design, institutional/campus users, etc. Three alternative site plans are offered, each with a different version of Slipway Park.</p> <p>"major investment in the 20th and 22nd Street corridors, reinforcing connections to the waterfront and providing the backbone for rehabilitating the historic district. A primary north/south corridor between the two is aligned to highlight and celebrate the beauty of Building 12, to be restored and occupied with PDR users at the ground floor, operating as a sort of small business incubator for the site."</p>	<p>Flexible office/loft space appealing to innovation/tech community. Include residential uses and Digital Arts and Trade Schools. A hotel and marina, support infill retail along 20th Street. Propose to prepare integrated Master plan for the entire site.</p> <p>"Our approach will be threefold: A. Immediately stabilize any of the historic structures that are in danger. B. Expand and complete a detailed master plan for the entire Pier 70 and secure necessary entitlements. C. Immediately commence a speculative development of between 250,000 and 400,000 square-feet comprised of adapted historic buildings and new structures."</p>	<p>"We intend to work closely with the Port to achieve the goals of the Pier 70 Master Plan. Our proposed "vision" and "approach" are to develop ways to finance, schedule, and execute on the vision contained in the Pier 70 Master Plan."</p> <p>First steps: infrastructure planning, entitlements while Port resolves State Lands, BCDC.</p>
Business Model	<p>"self-finance projects, reducing dependence on capital markets"</p> <p>Hold assets long-term.</p> <p>"We are able to either phase the development incrementally and organically, as we build IFD, Prop D and other revenues over time, or we can move more quickly by securing a large anchor tenant."</p>	<p>"All entitlement work, infrastructure and park construction (horizontal development) and property management will be carried out by MBDG and its consultants/contractors, while building construction (vertical development) will primarily be carried out by third party developers and end-users."</p>	<p>Develop 250,000 to 400,000 square feet of speculative space in first phase.</p> <p>"We envisage co-investment in the "horizontal" pre-development and entitlement costs by both parties (SFWP and the Port)"</p> <p>After entitlement, "the Port and SFWP will together to market certain defined sites to other developers on a competitive basis, either through a tendering process or by joint venturing with other qualified developers."</p>	<p>"TMG/Sobrato is prepared to fund up front costs for environmental review, infrastructure design, and prepare a detailed phased infrastructure and development plan"</p> <p>Large users in build-to-suit buildings Master ground lease – want longer than 66 years.</p>





# **SAN FRANCISCO PORT COMMISSION**

**FEBRUARY 22, 2011  
MINUTES OF THE MEETING**

**MEMBERS, PORT COMMISSION  
HON. KIMBERLY BRANDON, PRESIDENT  
HON. ANN LAZARUS, VICE PRESIDENT  
HON. FRANCIS X. CROWLEY**

**MONIQUE MOYER, EXECUTIVE DIRECTOR  
AMY QUESADA, COMMISSION SECRETARY**

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# **CITY & COUNTY OF SAN FRANCISCO PORT COMMISSION**

## **MINUTES OF THE MEETING FEBRUARY 22, 2011**

### **1. CALL TO ORDER / ROLL CALL**

Commission President Kimberly Brandon called the meeting to order at 1:45 p.m. The following Commissioners were present: Kimberly Brandon, Ann Lazarus and Francis X. Crowley.

### **2. APPROVAL OF MINUTES - February 8, 2011**

ACTION: Commissioner Lazarus moved approval; Commissioner Crowley seconded the motion. All of the Commissioners were in favor; the minutes of the February 8, 2011 meeting were adopted.

### **3. PUBLIC COMMENT ON EXECUTIVE SESSION**

### **4. EXECUTIVE SESSION**

A. Vote on whether to hold closed session.

ACTION: Commissioner Lazarus moved approval; Commissioner Crowley seconded the motion. All of the Commissioners were in favor.

At 1:46 p.m., the Commission withdrew to executive session to discuss the following:

#### **(1) CONFERENCE WITH LEGAL COUNSEL REGARDING ANTICIPATED LITIGATION MATTER (Discussion & Action)**

(a) Discuss anticipated litigation matter pursuant to Section 54956.9(b)(1) of the California Government Code and Section 67.10(d) of the City and County of San Francisco Administrative Code.

X As Defendant

Proposed Action: Approve the negotiated Lease Clarification and Settlement Agreement with Pier 23 Cafe, Inc. ("Tenant") resolving the annual rent reconciliations for years 2004 through 2009, including payment by Port of \$114,000 to Tenant's account and mutual releases for specified potential claims relating to those years; and clarifying the manner in which future annual rent reconciliations will be conducted, including limiting allowable exclusions from gross



revenue; and including other terms as set forth in the Lease Clarification and Settlement Agreement on file with the Port Commission Secretary.

- (2) CONFERENCE WITH LEGAL COUNSEL AND REAL PROPERTY NEGOTIATOR. – This is specifically authorized under California Government Code Section 54956.8. **This session is closed to any non-City/Port representative.\***

- a. Property: AB 8719, Lot 002, also known as Seawall Lot 337, AB 9900, Lot 62, also known as China Basin Park, and AB 9900, Lot 048 and AB 9900, Lot 048H, also known as Pier 48 (all bounded generally by China Basin, the San Francisco Bay, Mission Rock Street, and Third Street)

Person Negotiating: Port: Byron Rhett, Deputy Director, Planning & Development

\*Negotiating Parties:

(1) San Francisco Giants, Wilson Meany Sullivan, The Cordish Company, Farallon Capital Management, LLC

## 5. RECONVENE IN OPEN SESSION

At 2:45 p.m., the Commission withdrew from executive session and reconvened in open session.

ACTION: Commissioner Lazarus made a motion to adjourn executive session and reconvene in open session; Commissioner Crowley seconded the motion. All of the Commissioners were in favor.

ACTION: Commissioner Lazarus reported that the Port Commission approved the proposed settlement of litigation as noted in agenda Item No. 4A.(1)(a).

ACTION: Commissioner Lazarus made a motion not to disclose any other information discussed in executive session. Commissioner Crowley seconded the motion. All of the Commissioners were in favor.

## 6. ANNOUNCEMENTS: The Port Commission Secretary announced the following:

### A. Announcement of Prohibition of Sound Producing Devices During the Meeting

The ringing of and use of cell phones, pagers, and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s)





responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic device.

**B. Announcement of Time Allotment For Public Comments**

A member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

In light of the possible loss of quorum, Commissioner Lazarus made a motion to limit public testimony to two minutes. Commissioner Crowley seconded the motion. All of the Commissioners were in favor.

**7. CONSENT**

- A. Accept the Port's Second Quarter Contracting Activity Report – Fiscal Year 2010/11 for the October 1, 2010 to December 31, 2010 Reporting Period.
- B. Request approval of the Port's Biennial Operating Budget for Fiscal Years 2011/12 and 2012/13. (Resolution No. 11-08)
- C. Request approval of the Port's \$21.7 Million Capital Project Budget for Fiscal Years 2011/12 and 2012/13. (Resolution No. 11-09)
- D. Request approval to execute a contract modification to Contract No. 2738, Pier 19 Roofing and Minor Dry Rot Repair Project, with D.F.P.F. Corporation dba Fine Line Construction to extend the original contract duration of 120 days by an additional 34 days. (Resolution No. 11-10)
- E. Request authorization to execute a contract modification to Contract No. 2736, Marine Structural Project II, with Cowhey Pacific Drilling, Inc., to extend the original Contract duration of 200 days by an additional 113 days. (Resolution No. 11-11)

ACTION: Commissioner Lazarus moved approval; Commissioner Crowley seconded the motion. All of the Commissioners were in favor. The items on the Consent were approved. Resolution Nos. 11-08 to 11-11 were adopted.

**8. FINANCE AND ADMINISTRATION**

- A. Informational presentation regarding the annual update to the Port's 10-year Capital Plan for Fiscal Years 2012-21.

Daley Dunham, Port's Special Project group, presented the Port's 10-year capital plan for Fiscal Year 2012 through 2021. The City Administrative Code Sections 2.3 and 2.31 require that all city



departments create a 10-year capital plan. The Plan was due to Mayor Edwin Lee and the Board of Supervisors on March 1, 2011 and is expected to be adopted through the Board of Supervisors legislation by May 1, 2011. This is not the normal timeline for the capital plan. Normally, with the city's capital planning committee, the departments are to submit their capital plans by November. The Port had a lot of outstanding projects, namely our bid for the 34th America's Cup that it warranted a delay. The capital planning committee will consider adoption of this plan before it comes back to the Port Commission. That adoption is conditional, and it's upon approval by the Port Commission that it will then move forward. The plan will still be introduced to the Board on May 1, 2011. Supervisor Chiu will then introduce an amendment to include the Port's chapter into the citywide plan.

There were a number of big changes this year over prior years: a big change to our process, some pervading thematic changes and the bottom-line changes to our estimation of need, which changes year to year as well as some new sources of revenue.

Mr. Dunham showed a slide about the end result of the new process that Port staff undertook this year with the two-year planning process for the capital budget, which the Commission just approved. The spreadsheet shows all the projects submitted through the new process whether through Port funding or other funding. It shows how we dished out all the Port's capital funds for the budget for the first year. It shows how we're leveraging federal dollars. The match for the central basin dredging project and the drydock #1 disposal project are both included in the budget.

The process was about changing the two-year budget process and the planning process from one where the different divisions were essentially vying for funding, advocating on their own to one that was about consensus. Representatives from each division got together, agreed on the criteria to use to evaluate projects, how much those criteria were worth. As we scored individual projects, there was a great deal of consensus all the way through. The end result was that everyone was pretty happy with it. In previous years, this has been done in the finance and administration division, it's now handled in the special projects group of the executive division.

Some larger thematic changes to the plan came from the idea that we wanted this to be a more rigid planning document and be a better tool for the Port moving forward as opposed to an assessment of what we really need but don't have. That was taken out of what we can accomplish and how we're going to do it as opposed to what's missing. We made a subtle change to the Port's policy on seismic need whereas, in prior iterations, we had been explicitly astray of the city's convention for



seismic, which is that needs are only assessed up to what's warranted by code. We had a higher standard than that. This plan moving forward, we're only programming funding up to what's required of us by code because there are just so many outstanding needs.

The bottom line is our costs went up by less than they have in the past. The total need has changed over time for the last six years. Much of it is driven by the cost escalation that the city uses. The first few years, they were between 6 and 8 percent. Looking at a \$2 billion-plus capital plan, if we increase the need by 8 percent a year, somehow the notion that we could come up with nearly \$200 million in additional revenue every year just doesn't work out that way. It's for that reason that, for capital planning convention, all of these are in current dollars. They're not escalated out to the end of the plan. The two major changes were, at Pier 70, we had a placeholder number of \$40 million to do hazardous materials abatement. That's written in there for the last five years. Over the last year, new information about what's there has allowed us to reduce that down by quite a bit. That was unfortunately more than offset by the results of our new, aggressive, under-pier utility infrastructure program.

There's usually a negative number because we got something done. In this case, the one-time, big cost estimates eclipsed that. On the funding side, the 34<sup>th</sup> America's Cup and the infrastructure works investment that are going to be made at some of the Port's facilities is another reason why this plan was delayed and because the under-pier utility inspection program was added. We were finally able to meet with the PUC only about a week and a half ago to determine how we might work with them to use some of their assets to help us take care of this problem.

The America's Cup is \$55 million in infrastructure works, mostly to Piers 30, 32 and 27. The Port is experiencing some loss of revenue bond capacity. We are in an ongoing conversation with the city's capital planning committee about how we can replace that.

This makes a strong argument for the Port to be included in further general obligation bonds, unlike the 2008 bond, which was the first time we were ever included in citywide GO bonds by being an enterprise department. The PUC has agreed to assist us with \$34 million in financing. A lot of that we're hoping will be tied into the auxiliary water supply system, which was passed by the voters recently. That's tied into the fire boat and its access to water at the end of the piers. PUC will consider as a part of that program, we're eligible for general obligation bonds which they have a lot of for this project and are largely unspent. Where that won't work, we're in talks with them about rate adjustments to offset the costs of addressing this under-pier utility. They're going to help us out with rate sensitivity studies to that end.





On the federal-funding side, we've been engaged with a couple of different entities, the Army Corps of Engineers and the Department of Defense, long enough that we're starting to sense a pattern. A few years ago, we were able to get \$3 million for some work at Pier 70. We got another \$3 million from the Department of Defense for demolition of the drydock. We asked for about \$8 million, but they gave us \$3 million again in committee last year.

The same is true with the Army Corps. We've gotten into a pattern with them. It's something that we can rely on over the long term. It's a good change for the Port.

Starting from the north, the Fisherman's Wharf area, the little spot of green you see there is from the two sets of revenue bonds. There's the 2010 series revenue bonds. Then, we have another set, \$40 million worth, which we are looking to issue in 2014. It's about the time that Wharf J9 would get taken care of through this mechanism. The orange spot is for the 2008 Clean and Safe Neighborhood Parks bond. That project is going to construction this year.

Northeast Waterfront. The cruise terminal is located at Pier 27. Funding for the project will be from mixed sources. The Exploratorium project at Piers 15-17. The 8 Washington project and the infrastructure finance district that will result from that.

Another change to these maps, as in prior years, due to the volatility in the market we have not specifically program the program infrastructure financing district funds over the last two iterations of this plan.

South Beach. We have engaged the Army Corps of Engineers to remove Pier 36 to make way for the Brannan Street Wharf. As with many other things, this is now a short fuse with the America's Cup and meeting our obligations there.

Piers 30-32 are no longer unfunded. That will now be a site for the America's Cup for the biggest investment the Port is expecting. Pier 50 is from the 2010 series revenue bonds. The Pier 48 roof is driven by the new capital plan process for the next round of revenue bonds.

Southern Waterfront. The Port's been looking for help to dredge the central basin for a long time. We've engaged the Army Corps of Engineers on that project. It's moving forward and looking positive.

The seawall lots are the ultimate long-term capital plan. It's potentially a humongous amount of money. The legislative process to address that project is very long. The path forward first requires a study authority, then a study appropriation, a construction authority and a construction



appropriation. The problem is that the authorizing vehicles for these kinds of projects only come up once every seven years or so, on average. If we miss one of these deadlines, the whole project is set back. Most importantly, if repair of the San Francisco seawall lots come back at \$120 million or less, the city and the Port have to come up with a third of that amount. To come up with \$40 million to contribute to a project like that also has a very long planning window, which could involve State legislation, etc.

This plan has guided us with investing \$75 million, not including development type funding for the last six years. It's going to continue to be a useful tool.

With regards to the congressionally-directed funding, WRDA appropriation, Commissioner Lazarus asked if there have been other congressionally directed monies that the Port received that we now may have to battle a little bit more for.

Daley Dunham replied that we had \$8 million in committee markups that were coming into this year. Prior to the ban on earmarks, the Port is looking very good. It was consistent with what we had received in the past. We had the backing of Speaker Pelosi. Then, everything changed. The ray of hope with that is that because, in particular, the Army Corps budget and the defense budget and, to a lesser extent, the transportation budget are so driven by project funding and what is now considered an earmark, there is a great deal of speculation about how they'll do what has been done many times in the past when this has come up, which is to refine the definition of earmark. If that happens, the particular funding vehicles that we use are more likely than others to benefit from that. We're hopeful that there are some discussions; in particular, projects that have already been authorized by Congress, such as Army Corps of Engineer projects. They're still considered earmarks.

Commissioner Brandon indicated that it's great that the departments are working together. She asked about the new process, how things are prioritized and what gets funded versus what doesn't.

Daley Dunham replied that it's spelled out in great detail in the capital plan but the first step of the process was to get all the divisions together and decide what we were going to use to evaluate. That was one set of considerations. The other set was what categories we want to have set aside for specific projects that required extra consideration or should get less consideration. In this case, emergency projects had its own category for consideration. Mandated by code or order or by regulatory agency, that had its own consideration. Some projects that were de-prioritized a bit were projects that had zero matching funds and potentially could get funding from other places.



Once we had the categories, we came up with respective weights for all of them. Everyone agreed. Interestingly different from, in prior years, there were financial payback considerations. There was a stronger influence on the financial benefits of the given projects.

Once we had all this down, we sat in a room and went through and decided what applied to what, project by project, just very methodically. At the end of the day, we were able to rank them all top to bottom.

There were a couple of different buckets to choose from. The emergency projects went first. Those got the first available funding from Port capital funds if there were nothing else. The same goes with projects that were mandated. We proceeded in that fashion until we had balanced budgets all the way through.

Commissioner Lazarus indicated that we should also thank Commissioner Crowley for not only moving over to the Port but bringing, apparently, \$34 million with him.

Commissioner Crowley replied that it's his pleasure to do so.

## **9. REAL ESTATE**

- A. Request approval of amendment to Sidewalk, Airspace and Curbspace Encroachment Policy (Resolution No. 06-48) and subsequent amendment (Resolution No. 07-21) to delete the airspace encroachment permit requirement portion of the policy for those buildings on the south side of Jefferson Street between Powell and Hyde Streets. (Resolution No. 11-12)

Susan Reynolds, Deputy Director of Real Estate for the Port, requested an amendment to the Sidewalk, Airspace and Curbspace Encroachment Policy that was passed by the Port Commission on June 2006 and amended in March 2007.

The March 2007 amendment addressed how fees were calculated and called out property owners as the responsible parties for obtaining permits. The policy applies to those properties on the south side of Jefferson Street between Powell and Hyde Streets. It's approximately four blocks. The buildings are not on Port property, but the sidewalk is - the infamous blue line i.e. things that hang over the blue line onto Port property. Currently, building owners are required to seek a permit from the City's Planning Department and the Department of Building Inspection. The policy also requires that building owners come to the Port for an encroachment permit.

This has caused confusion and frustration with the building owners. There are also issues with enforcement. We have spoken with the





Planning Department. There is a mechanism in place that the Port can still achieve what it needs to achieve without having the building owners go through all the business steps that are cumbersome.

In an effort to make the process a little bit more business friendly, it was determined that it's in the best interest of the Port and the public to delete the airspace encroachment portion of the policy. There are only currently six permits in place. The financial impact is less than \$2,000 a month.

ACTION: Commissioner Lazarus moved approval of resolution; Commissioner Crowley seconded the motion. All of the Commissioners were in favor. Resolution No. 11-12 was adopted.

## **10. PLANNING & DEVELOPMENT**

### **A. Informational presentation on Response to Pier 70 Waterfront Site Request for Qualifications.**

Kathleen Diohep, Port's Planning and Development, indicated that the Commission will hear an informational presentation by the prospective developers on the response received to the Pier 70 waterfront site Request for Qualifications. Today's presentation is a structured meet-and-greet, a chance for the Commission to hear from the developers. Then, we move on to a more detailed evaluation process and come back to the Commission with recommendations.

In April 2010, the Commission endorsed the Pier 70 master plan, which was for 69 acres. We broke it into several pieces. The first was this waterfront site, which is to be the economic engine, generate tax and revenues, Crane Cove Park, which is moving ahead on planning and hopefully to use some of the Prop. B funds. The third being the request for interest in historical buildings.

We have released and posted on our website the Request for Interest in the 20th Street historic buildings and looking for responses by June. Those three pieces bring forward more than half of the land at Pier 70 and get us an entitlement strategy for the entire site. This is the 20th Street row of buildings. It includes six buildings, two major office buildings and the grand machine shop.

The waterfront site is located at the southeast corner of the site and is almost 25 acres. It is located north of the power plant, which ceased operating. We've allowed for up to 2.5 million square feet of new development. That's a substantial amount of growth and creates a substantial amount of land value that can help fund the infrastructure and the other investments needed in the site.



We specifically took the waterfront site and identified its objective to take us through the initial steps we need to implement the plan. We also recognized that no one could, right now, make a full-fledged proposal, a price proposal, and a design proposal. There are a lot of pieces to work out on Pier 70. We used a request-for-qualifications approach, with a little modification because we asked each team to tell us about how they would approach Pier 70 if not propose a drawing, and tell us what they see as our strengths, how we should go forward.

The evaluations of the submittals are weighted roughly equal on approach, experience and capacity. Approach is a request to talk about how they would meet these objectives, their view, experiences, where they have done this before.

Capacity is essential financial capacity i.e. do they have the resources? Have they gotten the resources? Can they help us get the resources? Because money is going to be a big deal.

Later this month, a technical panel will review and score the teams. We're doing the financial capacity analysis and checking references. In March, we'll hope to return to the Commission with a recommendation. On April 8, 2011, staff could be seeking Commission's direction for an action item to move forward and to negotiate and approve an exclusive negotiating agreement. This is an "if-it-all-goes-well" timeline. Today, the developers will each make a 10-minute presentation of their proposal.

Simon Snellgrove, principal with Pacific Waterfront Partners, thanked the Commission for entertaining and listening to them. If successful, this would be the fourth project they've done with the Port. We've had a relationship with the Port that extends beyond 10 years. Our team is San Francisco Waterfront Partners Three (SFWP). San Francisco Waterfront Partners is a partnership between CalSTRS, California State Teachers Retirement System, and Pacific Waterfront Partners. Our partner is Alicia Esterkamp, fresh back from maternity leave for this event, and Paul Osmundson, who is probably known to you all and a group of us.

This is a diagram which sets forth the consulting team. The lead consultant is Skidmore, Owings and Merrill. They are working with SFWP on the 8 Washington project. They're doing Treasure Island. There's probably nowhere in the city they haven't touched. Craig Hartman is the lead. Mactec is one of the leading environmental firms in the city. They did Hunters Point. Their law firm is Gibson, Dunn, Crutcher and Farella Braun with Mary Murphy and Neil Sekhri as legal counsels.

Our smallest and most recent project in terms of relevant experience is Pier 24, the Pilara Foundation. The Port put it out for bid but nobody bid. For 10 years, we tried to figure out what to do with it. The Pilara



Foundation is the largest photo exhibition gallery in North America, approximately 27,000 feet. Fabulous space, fabulous asset for the Port. We got it done in two years.

Piers 1½, 3 and 5. The significance of this project was its complexity and dealing with 15 different agencies. Thanks to Gibson, Dunn and Farella, we received a \$2 million education in how to do historic tax credits. With State Lands, BCDC, we have developed a great relationship with all of the relevant authorities and won a lot of awards.

It's all about reconnecting the city with the water. Major public access for transportation, Port walks, infrastructure. A pro bono project we did in collaboration with Equity Community Builders in the Presidio was again a tax-credit driven school, private high school, interesting use of public land for education.

The 8 Washington is a \$350 million project, six years, nearly \$30 million in entitlement costs. We're within \$1 million of budget just to emphasize we know what it takes to get entitlements in this town.

Lots of public use, state land swap, very complex relevant to Pier 70. We're swapping public land for private land with State Lands and having a lot of fun getting the entitlements. Hopefully, we'll see it built one day.

He spent 10 years responsible for the development activities at the Embarcadero Center. Paul Osmundson was instrumental with the Pier 1 project when he was at the Port, as he was with the Ferry Building rehabilitation. He understands the nuances of the waterfront, Pier 1½, 3 and 5, 8 Washington Street, Pier 24, Pier 30-32 and the Watermark, which Paul did as director of Lend Lease.

Bovis Lend Lease is their construction manager on Pier 70. He showed little vignettes of photographs, Embarcadero Center, the 3.2 million feet, \$1.2 billion, 26 acres project in Singapore. These are done as individuals not as Pacific Waterfront. Renovation of the Federal Reserve, Pan Pacific Hotel, Peachtree Center in Atlanta. Paul's done the Ferry Building, the cruise terminal, the Presidio.

The concept we have for Pier 70 is called I2C, which is an information and innovation community. It is not to expand Mission Bay and biotech any further than it already is but to come up with something that is a center to attract a lot of the South Bay IT firms and to create education and jobs and link in to the mission and the enormous number of employees that want to live there and don't want to drive to the peninsula.

Our steps would be to immediately stabilize the historic buildings that are at risk. Our first step would be to do an evaluation on the historic





buildings and make sure we don't lose any of them because they're a huge income and cost generator. We would do a master plan, perfect the master plan and extend the master plan to the Mirant site.

It's very important to understand the larger scheme of things. We would immediately embark on building a 500,000 square foot speculative building to form an economic hub and to create an attractive leasing environment, much as the Ferry Building did for the waterfront.

As with the Ferry Building, we would create something on the water. We hope to get building six, which is not in this scope, but it's in the BAE yard as a swap to create something as dynamic and attractive as the Ferry Building was for the Ferry Building waterfront area.

Culturally, in terms of jobs creation, we've been working on Pier 70 now for three years. We've got a very exciting concept with a group called AICAD, which is the association of independent art schools. They are a 20-year organization that have 41 independent art schools in their group. They're based in Brooklyn, New York. They have RISD. They have Pratt. They have a lot of exciting people.

We've been talking to them about building a campus here, which would be either for a semester or a year where students could come out and mix with students of all other 41 colleges and create a digital art center as well as conventional art. Alongside that, they will put a Trade Schools America, which is to cater to the kids who do not want to go to college but want to learn crafts, link it in.

We've talked to the unions, a lot of excitement. We have this dualism of the high-tech world and the kids from other areas of the city who can benefit by learning crafts and trades. They will do huge infrastructure and transportation. We've done a lot of work on understanding the scope of it. We would open the eastern shoreline. We think it's very critical to get the Blue Greenway Bay trails and the Ferry Building and the water taxis going.

We would want to extend the light rail down into the project to minimize parking. We want to extend 20<sup>th</sup> and 22<sup>nd</sup> street into the site and fundamentally, come up with a carbon-neutral project in partnership with the Port where, if we consider for phase II, a lot of the historic buildings and portion of the site would be broken down into small bite-size parcels where we don't end up with another national chain like the Mills Group.

As the master developer, parcel this out to smaller developers where we can recoup our initial investment and share the upside with the Port. We see this as a partnership with the Port. We see a lot of public and private finance.



At the end of the day, we see this as very much like other major projects they've worked on where we plant the flag, do the necessary economic investment and then sell on smaller parcels to smaller developers where they can recoup their investment and share the profits with the Port.

Michael Covarrubias, chairman and CEO of TMG Partners, indicated that he and John Sobrato, the chief executive officer of the Sobrato Organization, will talk about Pier 70. They're going to do the same condensed version of their response to the RFQ. They will talk a little bit about the two entities and their vision. It won't be a sales pitch in the traditional sense. It will be mostly a resume. They will talk about what they've done, where they've done it, their references and how they can start a new relationship with the Port.

Mr. Covarrubias indicated that when they looked at it from the Port's perspective, they thought about the things the Port would want to see. The first one should be pick a partner that you can trust, someone that you will be able to sit down in a room and make a deal with. That person will be there for years and years of this project.

With John Sobrato and his family and TMG partners, you have the decision makers. There are no committees to deal with, etc. They also have a tangible and successful, all-inclusive track record.

Each of those words is important because the Port ought to be able to see their projects, not get on an airplane. The Port ought to be able to check them out, to see if they made money for their partners and that they include all the attributes they've talked about. Finally, that they have the commitment and the financial capacity to do this project.

In the partner the Port can trust, both organizations are privately owned. They have no committees, no public boards, and no stock market risk. There is no change in personnel. All the people at the company were here when they did the Hamilton Airfield, when they did Marin City, when they did projects down south, and the same goes with John's family.

With regard to references, the Port can call all the city managers around the Bay Area, mayors in San Francisco, all the projects they've done in the City. The most important thing if he were looking for a partner is, for them, this is home.

They can't screw this up. There is nowhere to go. They can't fly back to New York or Chicago or anywhere and close an office and start over again. This is home for John down in the South Bay, TMG in the South Bay, in the city, Marin and the East Bay. They have to perform.



That's a critical part of their resume. They didn't come here with their architects and a lot of their team because they didn't pick them yet. They and the Port should do that. There may be some architects and other lawyers who are available to work on this project. They believe they should get the best architect in the world, whether it's SOM, who's on a team, whether it's somebody who's not on a team, whether it's Norman Foster and they and the Port should jointly work on that together because they are viewing this as a partnership. In their opinion, the partner you can trust is a check mark.

The all-inclusive track record, those are their projects in the green and Sobrato in the red. They cover all the attributes the Port is looking for, public-private partnerships, ground leases. They've done successful neighborhoods, complicated land uses. They've worked with BCDC and State Lands.

They were awarded the first platinum award from LEED for a neighborhood in Emeryville. They understand those things. They've done historic rehab such as the Southern Pacific headquarters building called the Landmark.

Ground-up construction and tenant relationships. This project is going to be driven by a tenant user. The 2.5 million feet is going to be the linchpin of this project.

Both TMG and Sobrato have been consistently ranked as the top developers in the Bay Area and have the financial capacity to do this project. TMG Partners is a 27-year-old company and have been consistently ranked in the top. They've done five million feet and a couple billion dollars of transactions in just the last couple years. Not counting traffic time, you can get in your car and be at any of those developments within an hour.

John Sobrato, CEO of the Sobrato organization, gave the Port Commission a quick background on their firm, since they don't have a prior relationship with the Port.

They own 86 office properties in Silicon Valley comprising about 7.5 million square feet. They also own 30 apartment communities primarily based in Silicon Valley but also along the West Coast totaling 7,300 units.

Their operating platform includes in-house expertise in finance, accounting, construction, property management and asset management. Most importantly, getting to the project at hand, they've developed over 14 million square feet of office R&D and industrial space and have been involved in the leasing and sale transactions with just about every major





electronics company in Silicon Valley including Applied Materials, Apple, Cisco, Google, Hewlett Packard, Hitachi, Motorola, Netflix, Oracle, Yahoo and dozens of others.

Their real estate portfolio is valued in excess of \$3.5 billion. There's no question that the northern boundary of Silicon Valley has extended to include the South of Market area of San Francisco, Mission Bay and ultimately Pier 70.

To continue to be Silicon Valley's premier owner of commercial facilities leased by technology companies, they need to follow those tech companies migrating north and see Pier 70 as a unique opportunity to develop, lease and sell facilities tailored to their needs.

They chose to partner with TMG because they recognize that together they provide a complementary skill set and the range of experience and expertise required to successfully develop this project. TMG brings their experience not only within San Francisco but also with public, private, large-scale brownfield redevelopment.

They believe that's very complementary and synergistic with the large high-tech tenant base, their technology development experience and their deep financial resources and relationships.

Michael Covarrubias indicated that the RFQ part of the story is basically the summary. Between the two companies, they've been doing this together for combined 60 years. They've done more office developments than their competitors as it relates to this area.

The Bay Area is their home. It's where they do all their work. It's where they have been successful over the years. The financial strength of the Sobrato organization combined with TMG's development background is unparalleled.

The commitment of the two organizations to the Bay Area goes much broader than just real estate. It includes social organizations and the like. They feel that's a good resume.

As it relates to Pier 70, they did the Hamilton Airfield in Marin, which included all of the elements that this project does. It included historic rehab. It included the cleanup of the site. It included commercial space, residential space, hotel space and retail space.

It also included a fairly ugly corridor to get to the developable land. They had to work around that. They'd love to figure out a way to have the first part of this project include both the historic and the new ground-up part of it because they think that the front door of this project is critical.



They have the capacity and the desire to do both. They'd like to consider that as an option for the Port. At the end of the day, the uses they have in Emeryville, the project that got the LEED platinum award for neighborhood development, has a public market. It has the theaters. It has the restaurants. It has the mixed use that this site deserves. In San Francisco, they have done theaters and restaurants again combined in historic buildings, such as 1000 Van Ness. At the end of the day, the trick to this is going to be the financial commitment to getting the thing approved through the different agencies, designed properly and ultimately to hook a tenant or two from the South Bay and/or San Francisco.

They have done deals with Salesforce, with Xanga, with Microsoft and the like. This is going to appeal to the whole Bay Area, which is why they felt the Sobrato partnership was a fabulous opportunity not only for them but for the city and the Port.

They're very excited about this project. This is sort of a culmination of what they do. Pier 70 would be a highlight of their company and the Sobrato organization as well.

Kevin Ratner, president of Forest City Development California, indicated that San Francisco is a great city. The City represents a large part of their portfolio developed over 30-plus years, and they continue to see great opportunity to invest in San Francisco.

Pier 70 represents one of the few opportunities in the country to develop a unique place over time and in a dynamic city. They don't find many opportunities like this. When they do, they go after them.

He introduced his uncle, Ron Ratner, board member, EVP and president of their residential group. He's excited about Pier 70. He represents a level of commitment they have to the project and is actively engaged in their activities in California.

He introduced Alexa Arena, who runs their San Francisco office and who is at the forefront of their thinking and what it means for the next generation of their growth cities.

Alexa Arena indicated that this presentation is to give the Port Commission familiarity with Forest City both locally and nationwide. Forest City is a \$12 billion company. It is public. They focus primarily on urban development and infield development and transit oriented.

This is the exact type of project that they're attuned to doing. They have a great combination of national breadth and local depth. They've been in San Francisco for 30 years starting with Bayside Village, which is a walk



from the Ferry Building and about 800 units of housing before South Beach was really taking off. That's progressed to a few projects. They also have an incredible history nationwide doing complex public-private partnerships and projects that take multi phases and have a lot of variables to them to balance.

She wanted to hit home with a few of the things that the Port should take away from them along with the numbers that are on the screen, which is their commitment to active partnerships with the community and with their public partner, understanding what that means and what it means in an urban context and also a financial capacity where they're the ones who are investing in that equity component throughout entitlements.

They're self-funded, which gives them flexibility and long-term commitment that's a little different than other structures. They aren't cookie cutter. They realize that every urban area has a different context. It's about understanding both -- pulling from those national resources of how public-private partnerships are structured, what type of financing mechanisms there are, brownfields, etc. Likewise, understanding the local market and how to hit that tone of what does this want to be in this given context. That's what they focus on.

Some of the projects the company has done are MIT, University Park in Boston. Partnership with MIT was originally going to be incubator space for MIT. The life science industry emerged during the project. They reoriented the master plan and ended up being about a little over two million square feet. They also have everything from the entitlements to the development to overseeing construction to operating. It's still with them. They still pay ground rent to MIT. Last year, they got about \$20 million in participation. It's been an incredible success of an internationally renowned life science center.

MetroTech in New York, which is nearly eight million square feet of office in downtown Brooklyn. The City of New York and Polytech Institute came to them and said, "We want to create job growth in the middle of Brooklyn. We want jobs here." Effectively, this project created a downtown Brooklyn and did offer that. They still own it today. Stapleton, which is 4,700 acres of infield development that is the former Denver Airport. Obviously, a tremendous amount of issues related to brownfields, various financing structures, etc. used throughout this project. They're also incredibly sustainable and an incredible model behind that with 1,000 square feet of open space.

Their next project, which holds a lot of similarities to Pier 70 is The Yards. The TSA came to them to figure out what to do with the 42 acres that was a former Navy yard. There is a working Navy yard next to it. It has a lot of the same issues of how do I fit within a historic context.





How do I bring the waterfront back to the community? How do I give access to that? They built out the public park first and have already created access to the public that wasn't there before and are currently in the midst of developing some of the historic buildings into residential and office combined. In terms of local experience, the San Francisco Center. They entitled that project and developed it and brought on Westfield after the entitlements were secured as an operating partner. They went through all the entitlements and community outreach process.

The Presidio, which is the Presidio's largest historic building rehab, a public-private partnership with the Presidio Trust was financed in the worst of times but is a testament to Forest City's ability to gain financing even in bad economy because of their 90-year history of strength. It's an example of a local public-private partnership where the Presidio had multiple goals that they had to contend with. How do they achieve the highest level of sustainability, open up the access to the park to the surrounding neighborhood, create an economically viable project for themselves that could help revive the 42 acres that this is a district within, and the historic issues involved?

There's a new construction component to it as well as the revitalization in the building, which has met with large success. The 5M project, which is an emerging project for them, the Hearst Corporation came to them. This is where the San Francisco Chronicle is located. It's a four-acre campus where they used to do their printing and the like. Now they've taken a smaller footprint as things have evolved. Their challenge was to make this the next media technology campus and evolve with where the market is going.

They took a different approach to 5M. They did a user-research process, which they did a lot of anthropological study around innovation. What makes San Francisco particularly unique in how it provides for an innovative environment both culturally and also in terms of the amount of startups that come out of San Francisco, why that's happening because large companies need that too and understanding the dynamics behind that.

That helped them understand the place-making tenants that will go into the next generation of how to think through an innovation campus. They used the existing space in the downturn of the economy to populate the vacant buildings with those tenants. It was incredibly successful from a market perspective, from a community-building perspective. It showed their ability to partner with much smaller organizations that grow program and community in a very different way.

Those include San Francisco Digital Film School, the Hub, and many others, which all brought this feeling of entrepreneurship-making to the



center. It surprised them the amount of demand that came from it.

They got approached by many larger companies, who said, "How can I locate there?" They couldn't fulfill that demand. They started to crack a nut on how they think through the market in the Bay Area from that.

Clearly, Pier 70 does not want to be a Google office park located in the city. That's not the highest value of it. The highest value for companies is their ability to be interdisciplinary, to intersect with one another, for a gaming company to be next to a biotech company and share that knowledge. That's what's great about cities and the intersection of place within cities. When they look at what Pier 70 is and what it houses already through places like the American Canning building, the history of manufacturing, art making in this area, it is so clear that it is a phenomenal center point of that, which they want to advance and work through with the Port as partner.

Going forward, it is a representation of the steps forward being how they think through place as an evolution, a place in context. They clearly have incredibly deep history that they can draw upon for all the issues that they can confront with the site.

This is all about how to create a partnership that maximizes the value both financially, culturally and socially and creates a place that's magnetic both to the people around it, creates a very different type of waterfront that is about prototyping, about making, about creativity and about what that new industry is within the context of San Francisco. As a magnet also, as a follow on for the larger tenants who need to learn how to innovate, who need to be around this environment and who need to succeed.

Seth Hamalian indicated that he is the managing principal with Mission Bay Development Group, the master developer for Mission Bay, the 303-acre redevelopment directly north of Pier 70. They are a certified LBE, local business enterprise. They are the lead for the development team. They are working in partnership with their capital partner, Cherokee. Cherokee is a private equity investment firm that manages multiple real estate private equity funds and focused on brownfield redevelopment and specializes in infield development. They have built a core team of advisors that is kicked off with Perkins and Will, renowned architects and land planners, who the Port staff has come across before in much of its dealings including the Ferry Building.

Specific to our experience, their principles helped create the master plan and the design guidelines for Mission Bay. They've worked with them before, Hargreaves and Associates, because landscape architecture and open space is a key ingredient to what the public experiences and the



community experiences of what's going to get built at Pier 70. They have experience working with them. They're designing a waterfront park of five acres directly to the north of Pier 70. Nibbi Brothers Construction, a San Francisco-based construction firm, is focused on historical rehabilitation and buildings along the Port's ownership and edge as well as buildings within the Mission Bay area.

They're Mission Bay Development Group. They're not just a San Francisco firm. They're a local firm. They have a commitment to the central waterfront. Each of their members is invested in this part of the city. Four of them have offices in the central waterfront. Three of them are headquartered in the central waterfront. This is a commitment that's long standing. It's existed far before when Salesforce came along and made a big splash within Mission Bay.

It's a belief that they've had for a long time. They voted with their feet and with their investment dollars. They've been waiting for the opportunity to see the next step take place, which is Pier 70. They're excited about it. They want to be the Port's partner in this. This is the opportunity that they believed would come for a very long time and has finally arrived. That's why they want to work on Pier 70.

The reality is that the groundwork was already laid by the Port and the community. They already worked together for a long period of time to envision what this site is about. Instead of talking about the refinements to the plan, he's going to talk about the difference in their approach.

What's different is that they are a master developer. What they do is coordinate the large-scale types of projects, the entitlements, the planning, and the infrastructure development. Then, both build out but also selection of other builders and developers to help execute and make the project happen. What that has is a multitude of advantages for the Port. When the Port has a master developer engaged, you get diversification. It's not just them building buildings. It's other developers building buildings as well. Each of those developers brings their resources in terms of private investment.

There multiple private investors going. It brings their contacts in terms of tenants and users. The Port brings all of that to bear. That's why what they see happening at Mission Bay happens. It's because they're not being selfish about it. They don't have to be the only builder there. In fact, probably better yet, have a variety of specialists, each in particular building types building out this project. That's what will bring the quickest and most diverse source of revenue for the Port.

The reality is, those buildings are not actually what the community experiences. What the community experiences is the experience of





place itself. As a master developer, by handing off some of the vertical development tasks, they spend more time focusing on what that experience is about. What are the connections with sidewalks, the streets, the bike paths out to the open space, to the amazing waterfront open space that's going to be created at Pier 70? How do you integrate that back into the community?

They get that what development is about from the city's standpoint and the community's standpoint is what you experience at the ground-floor level. Their attention is freed up to help make sure that those community benefits exist and that the experience when they're at Pier 70 is a really special place. It also means that they get that they are in a partnership. That means that the benefits, economic, resource wise need to be experienced at every stage of a development. They can't just be about what they make at each stage of the development. The question has to be what new backbone infrastructure is in place to help support the rest of Pier 70's development.

They want to be a part of helping to coordinate that. That's part of what experience they bring as a master planner of a complex project is helping to make sure that what gets done at the waterfront site is complementary and additive to what happens within the historic core. They also want to make sure that there is real, tangible benefit to the Port that the economic deal that gets cut is one that generates the highest level of revenue, which means bring in the builders at a later stage of the development. They get the entitlement first with a partner like them. Then, you cut deals with individual builders, each of whom is going to pay a higher price because of the predictability in the form of ground-lease payments to the Port. That's upside that can be delivered by teaming with a master developer.

One of the biggest community benefits that exist out there is the generation and creation of jobs. Pier 70 used to be an incredible source of employment for the city. It can again become that first with the construction jobs. As an LBE, they get the importance of making sure those construction jobs reach the entire community.

When they start out at Mission Bay, they had a horrible track record of getting engagement from local firms, single-digit percentage participation. They changed their entire contracting strategy to make sure that there are opportunities for local firms, minority-owned firms, women-owned firms. That strategy change took them all the way up to 40 percent. It's not just about the firms. It's about who they're hiring. When San Francisco residents don't have the opportunity to work, the full benefit is not experienced.



In working with a group like Mission Hiring Hall at Mission Bay, they've been able to get participation up to 85 percent in terms of minority and women employment. They have local hiring at 40 percent levels. The job generation doesn't stop with the construction. It also goes into the vertical development. It's about getting the businesses that they've already been interfacing at Mission Bay who are already circling, saying, "Where can I locate? I've run out of opportunities at Mission Bay." Bringing those relationships to bear on this development but it's a unique development. It's not just going to be a Mission Bay. It's a totally different place.

Part of what they bring to the table is financial strength. Its financial strength not just in their capital partner, Cherokee, who manages \$2 billion and had several hundred million dollars available for these kinds of projects today, but it's about the financial strength of their team.

He worked for 13 years in the investment and lending sector and understand what it takes to bring capital to a project, how the lenders and how the equity investors think. It's with that knowledge that they figure out what the road blocks are and the barriers they need to remove to help make this project succeed.

They also have the experience of having done \$270 million worth of public financing to help facilitate infrastructure, parks and open space. It's that kind of financing and understanding of the public finance markets that's going to be critical to making Pier 70 work and to make sure that there are resources for the historic core, not just the waterfront site.

They have experience in soliciting state and federal funding because, at the end of the day, to survive these kinds of economic cycles that these long-term projects go through, you have to be able to tap into all sources. That's what it's going to take. That's something that they've done at Mission Bay. They get that this is a long-term partnership. If you look at how long Mission Bay has been going on, they've been in the whole central waterfront effort from day one. This is something where you can't lose interest. This is an interesting project to jump on. This is something that you have to be committed for a long term because it's not always clear as you go through the down cycles that are really going to work out but at the end of the day, that's what real partners do.

They commit to the project. They're there for the duration. They know how to work with staff. They have that experience of a long-term, 10-plus-year, public-private partnership with the San Francisco Redevelopment Agency and 10-plus-year experience with the City of Alameda's redevelopment group.



These are the kinds of things that the Port looks for in a partner. They can bring those experiences at Mission Bay to bear here. Pier 70 is not Mission Bay. They both strive to deliver jobs. They both strive to deliver public benefits in the form of open space. Pier 70 has this incredibly rich historic fabric that has to be celebrated and put at the forefront. Where the comparison is relevant is: they're right next to each other. They've been here. They get it. This is what they can bring to bear. It's seven waterfront sites worth of experience.

Kathleen Diohep indicated that it is exciting to have multiple responses to the solicitation. It's much more fun than the last project she did. Sixteen Port Commission hearings were held on the master plan and 60 community workshops. Port staff did the master plan work and made the hard choices of how many acres for ship repair? how many for parks? what's for land? which are priority historic buildings?

Port staff realized that the right way to get a developer partner was to say, "We want to do this. Why are you our right guy or gal? Why is your resume, your experience, your checkbook the one that can help us do this?"

The ranking and evaluation of the technical panel with the financial capacity checks is to test that. We're not at all ready yet to talk about what the Pier 70 project will be in terms of an EIR project description, in terms of how tall the buildings will be. We will choose the partner and negotiate a negotiating agreement and then, over time, work with the community, work with the commission's direction, and refine those parts and create certainty for the developer, create certainty for the public and get something that can be achieved and built.

It's going to take probably until the end of this year to get whoever we choose engaged. By starting the process of looking for, is there somebody out there who really would like to be in one of those buildings, be the user, breathe life into that, we can get that going. Then, they can work with this developer and with the whole framework. We want to accelerate the interest and investment in the historic buildings that puts it in context.

Commissioner Lazarus thanked everyone for coming today. It's very affirming for the Port to have such an array of distinguished and experienced firms with such impressive portfolios express interest in this project. We look forward to working with some of the developers down the road.

Commissioner Crowley seconded Commissioner Lazarus' comments.

Commissioner Brandon agreed with the Commissioners' comments and





added that we're fortunate to have all the developers here who want to work with the Port. She's looking forward to the March 22, 2011 Commission meeting to see where this all leads to.

**11. NEW BUSINESS**

**12. PUBLIC COMMENT**

**13. ADJOURNMENT**

ACTION: Commissioner Crowley moved approval to adjourn the meeting; Commissioner Lazarus seconded the motion. All of the Commissioners were in favor.

Commission President Brandon adjourned the meeting at 4:05 p.m.











